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WANG LABORATORIES INC.

ANNUAL REPORT 1979

WANG

Financial Highlights

(Dollar amounts in millions, except per share data)

	Fiscal Year		Percentage
	1979	1978	Increase
Revenues	**321.57**	198.13	+ 62.3
Net Earnings	**28.59**	15.60	+ 83.3
Earnings Per Share	**1.17**	.69	+ 69.6
Total Assets	**304.20**	173.20	+ 75.6
Net Worth	**118.24**	75.00	+ 57.7
Orders Received	**415.00**	232.20	+ 78.7
Order Backlog	**163.00**	70.00	+ 132.9
Average Number of Employees	**5,900**	4,100	+ 43.9

WANG
LABORATORIES,
INC.

Report to Shareholders for the Year Ended June 30, 1979

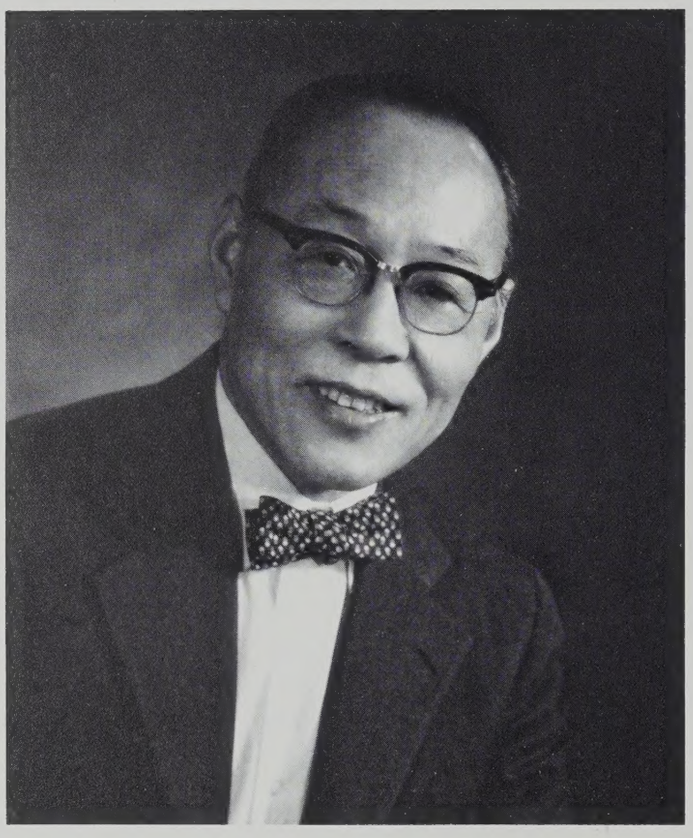
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Annual Meeting of Shareholders

The annual meeting of shareholders will take place at 5 p.m. Tuesday, October 23, 1979, at Wang Laboratories, Inc., One Industrial Avenue, Lowell, Massachusetts 01851.

President's Letter



To Our Shareholders:

In fiscal 1979, our 29th year, the Company's performance again broke all previous records for revenues, earnings and new orders. Our word processing products and VS computer products increased market share, and our margins improved. We moved up 141 places in the *Fortune* 1000, from 873 to 732, and this was based on fiscal 1978 revenues of $198 million. For Wang Laboratories, Inc., fiscal 1979 was a very good year.

Revenues increased 62%, from $198.1 million to $321.6 million. Net earnings increased 83%, from $15.6 million to $28.6 million, and net earnings per share increased from $.69 to $1.17, a 79% increase.

Orders increased from $232 million to $415 million, a 79% increase, and backlog grew 133% to $163 million as of June 30, 1979.

During the year, we further developed and expanded our word processing technology and our growing family of products continued to rapidly gain market share. Today we believe our products have become the worldwide standard for the CRT-based word processing industry.

Fiscal 1979 was the first full year for our new high-end information processing products, the VS computer systems. Orders for these systems exceeded our internal goals, and we believe the VS series computer systems have achieved a faster startup than the products of most of our competitors, with the exception of IBM.

Our operating performance has been reflected in the market performance of our common stocks, enabling us to obtain capital necessary for growth through three public equity offerings of Class B Common Stock since October of 1977, with the latest completed in August of 1979.

Our operating philosophy continues to be to identify the needs of the customer and to provide products and services which will meet those needs. Accordingly, the Company's field operations grew rapidly in 1979, particularly in the customer support

area. We significantly increased the number of marketing support analysts, who make sure that the people who use our equipment derive optimum benefit from it. Customer engineering operations, responsible for providing quick and efficient maintenance necessary for our users' maximum productivity, were also significantly increased.

Our rapid growth this year increased our average employment from 4,100 in fiscal 1978 to 5,900. Even with this significant increase, our employees increased their average productivity by 13%, from $48,300 average revenue per employee to $54,500. The success of the Company results from the energy and creativity of our employees, who continue to be our most important asset.

During the fiscal year, through the construction of a new addition to the Tewksbury manufacturing complex and the acquisition of major buildings in the Greater Lowell area, we have almost doubled our manufacturing and support capacity by adding 570,000 square feet. This additional space, coupled with the significant expansion of our manufacturing staff, gives us confidence that we will continue to be able to meet the increased demands for our products on a timely basis.

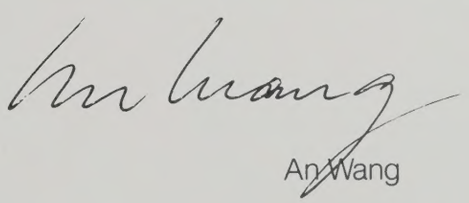
Fiscal 1979 was a year of significant investments in product development. Research and development costs increased 87.1% to $16.5 million, representing 5.1% of revenues.

Our development and market planning staffs have broadened and strengthened our family of word processing products, which now total 59 products, and span the complete range from small single user systems selling for under $10,000, which can be expanded all the way up to large office information systems and integrated information systems supporting up to 40 users at a selling price up to $500,000. These new integrated information systems are capable of handling both word and data processing requirements and are expected to play an important role in our business strategy as we enter the decade of the eighties.

We also introduced a higher level central processor, the VS-100, which increases the capacity and speed of our larger systems. This processor can be configured with systems supporting up to 128 workstations, and has a selling price of up to $800,000.

Although the computer industry in general has concentrated on more and more complex products, our Company has continued to focus on the people who use our equipment rather than the equipment itself. Our development efforts, as well as the overall direction of our Company, have concentrated on making people more productive in all of the markets we serve. We have made our equipment easier to use and have increased our worldwide end-user support to assure that as the technology advances, our systems will be directed at making the people who use them more productive. This is our theme for fiscal 1980 — productivity.

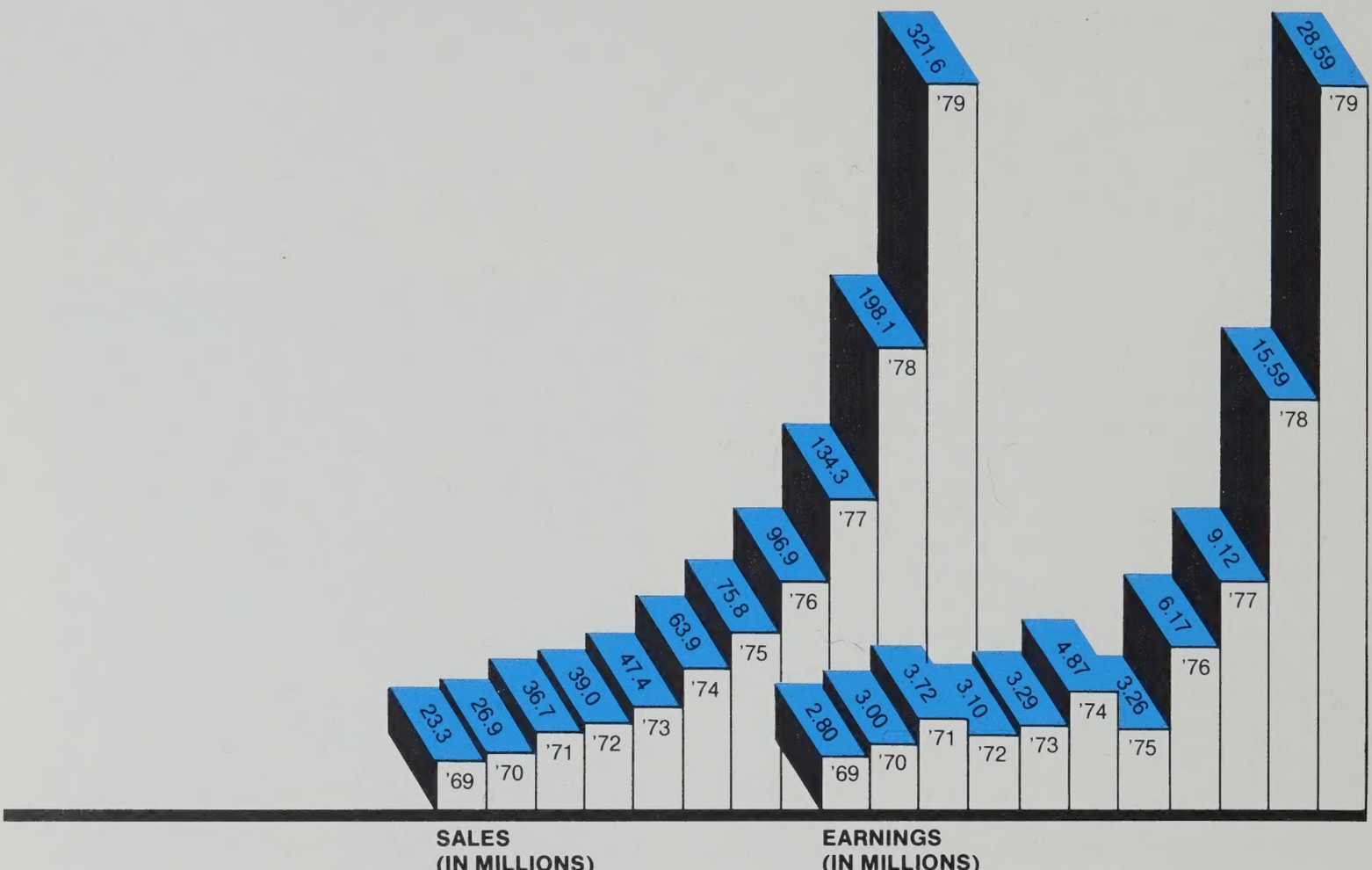
As we enter fiscal 1980, we are optimistic. Our backlog is at an all time high, our products are very strong, and the demand for them continues to increase. As the United States recession becomes more evident, the Company will undoubtedly be affected, but we feel we are well positioned to minimize this effect. We look forward to the challenges and opportunities of fiscal 1980 and another good year for the Company.



An Wang

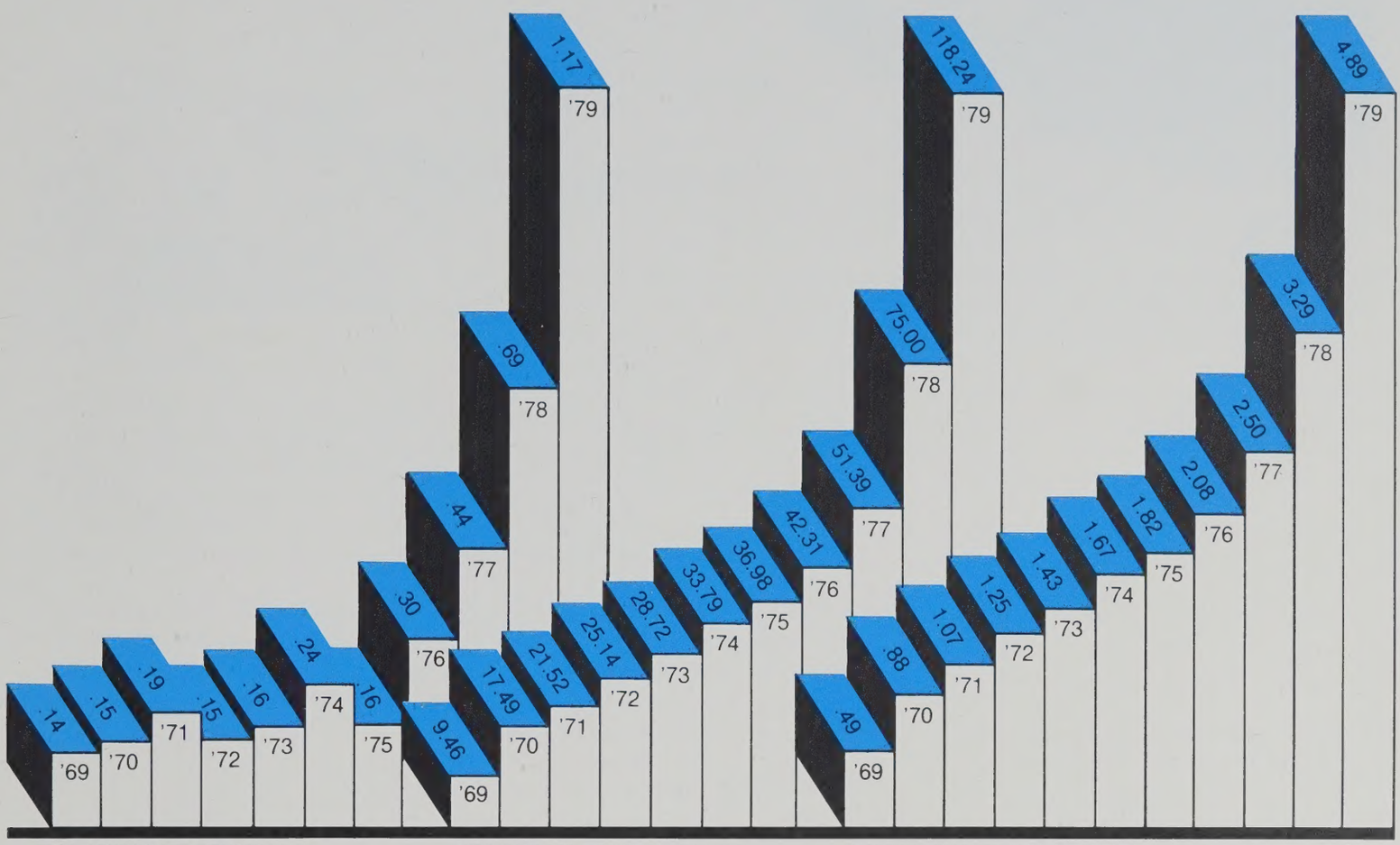
September 10, 1979

Ten years in review.



(000 omitted)	1979	1978	1977	1976
Revenues	**$321,565**	$198,134	$134,335	$96,856
Costs and expenses:				
Cost of products and services sold	**137,774**	85,016	59,597	45,849
Research and development	**16,464**	8,800	6,550	4,263
Selling, general and administrative	**111,817**	70,778	48,543	34,243
Interest	**7,925**	4,948	2,951	2,429
	273,980	169,542	117,641	86,784
Earnings before income taxes	**47,585**	28,592	16,694	10,072
Provision for income taxes	**19,000**	13,000	7,570	3,900
Net earnings*	**$ 28,585**	$ 15,592	$ 9,124	$ 6,172
Net earnings per share*	**$ 1.17**	$.69	$.44	$.30
Average shares outstanding*	**24,441,972**	22,585,414	20,659,160	20,440,800

*Adjusted to reflect stock splits in the form of dividends in 1970, 1976, 1977 and 1979.



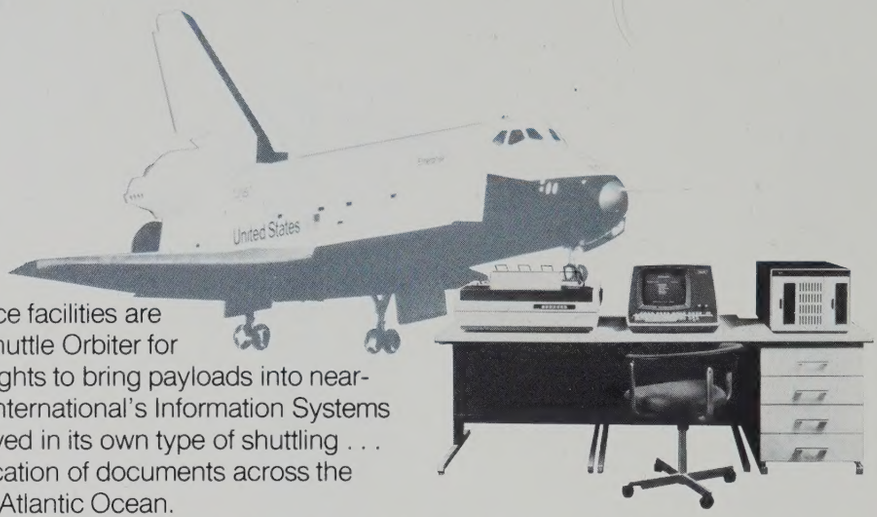
EARNINGS PER SHARE (IN DOLLARS)

STOCKHOLDERS' EQUITY (IN MILLIONS)

BOOK VALUE PER SHARE (IN DOLLARS)

1975	1974	1973	1972	1971	1970	1969
$75,828	$63,877	$47,384	$39,049	$36,731	$26,943	$23,263
37,404	29,115	21,947	17,668	17,408	11,628	10,023
3,348	2,092	1,781	1,613	918	485	520
27,859	21,758	17,670	13,960	11,024	8,791	6,765
2,762	2,093	647	204	170	140	114
71,373	55,058	42,045	33,445	29,520	21,044	17,422
4,455	8,819	5,339	5,604	7,211	5,899	5,841
1,200	3,950	2,046	2,500	3,490	2,897	3,039
$ 3,255	$ 4,869	$ 3,293	$ 3,104	$ 3,721	$ 3,002	$ 2,802
$.16	$.24	$.16	$.15	$.19	$.15	$.14
20,353,268	20,250,452	20,195,640	20,204,364	20,088,764	19,618,292	19,327,800

Wang . . . making the world more productive.



Rockwell International

While their aerospace facilities are readying the Space Shuttle Orbiter for regularly scheduled flights to bring payloads into near-earth orbit, Rockwell International's Information Systems Center (I.S.C.) is involved in its own type of shuttling . . . high-speed communication of documents across the United States and the Atlantic Ocean.

An extensive user of Wang's communicating word processing systems, Rockwell's Information Systems Center is chartered with the responsibility of helping to implement automated office systems throughout the company. As part of this responsibility, it has established a document-processing communication network to transmit information between Wang word processing systems located in corporate headquarters in Pittsburgh, Pennsylvania and facilities in London, England; Bridgeville, Pennsylvania; Chicago, Illinois; Cedar Rapids, Iowa; Tulsa, Oklahoma; Dallas, Texas; and El Segundo and Seal Beach, California.

Rockwell is a major multi-industry company applying advanced technology to a wide range of products in its automotive, electronics, aerospace and general industry businesses. Its commitment to advanced technology can be seen in its creative and highly productive use of word processing equipment.

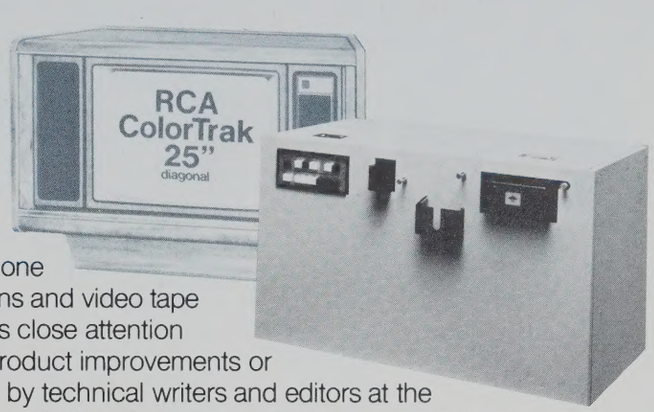


Scotts

Scotts — The lawn people. That's the way homeowners and professional turf managers all over America have come to think of the O. M. Scott & Sons Company. With over 100 years of experience in the "growing things" market, Scotts has recently expanded its scope of business into vegetables, flowers, shrubs, and trees — but its basic business continues to be grass. Scotts management attributes its leadership position in large part to a strong consumer franchise backed by its "no quibble guarantee."

Scotts uses Wang word processing equipment to help meet that guarantee of consumer satisfaction, responding to more than 175,000 consumer inquiries per year. Progressing beyond this initial application, Scotts now has Wang word processing equipment in three of its facilities supporting general administrative activity as well as its retailer and consumer correspondence. In Scotts Proturf Division, a single Wang word processor and six operators support a local staff plus a nationwide sales force.

Scotts is also a Wang VS virtual storage computer user. Two VS systems, both equipped with 3780 communications protocols for transmissions to and from their mainframe computer, are used for remote job entry, as distributed processors, and for local applications. The VS system at their main warehousing facility is used to prepare bills of lading and to collect, edit, and transmit shipment confirmation data to their mainframe computer for customer billing. A second VS system is used by Financial Services to interactively apply payments on accounts receivable and to update their central data base.



RCA

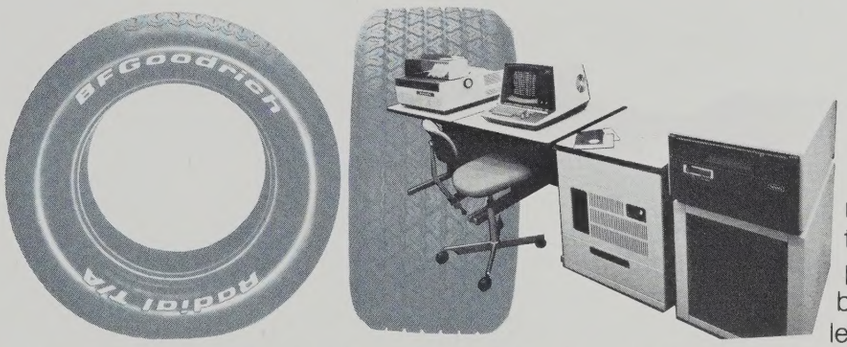
In order to help maintain its position as one of the leading producers of color televisions and video tape cassette recorders, RCA Corporation pays close attention to providing technical information on all product improvements or changes. This documentation, developed by technical writers and editors at the RCA headquarters of Consumer Electronics Division in Indianapolis, is sent to 14,000 subscribers throughout the United States.

The literature explaining any given chassis involved 20 to 50 pages of details on the assembly and interrelationships between more than 1,000 parts. RCA's Word Center, equipped with a Wang Word Processing System 25, enters the draft text from the Technical Publications department and, after final editing and proofing, adds commands and typesets.

Until three years ago when RCA acquired a photocomposition system, having outside companies typeset a booklet cost $40 to $50 per page. RCA also had to incur the cost of sending the documents back and forth for corrections and for re-keying the corrected documents. With its in-house Wang Word Processing and Photocomposition System, RCA has realized tremendous savings while greatly improving turnaround time.

RCA previously used a paper-tape system to interface the Wang WP with the photocomposition equipment, but that system did not provide interactive editing to insure error-free, key-in of type-ready text. Making corrections on the paper tape was time-consuming and often unwieldy. With the introduction of Wang phototypesetting technology in 1979, RCA was able to directly interface word processing and photocomposition, resulting in vastly increased speed in production of photo-ready text, and increased writers' and engineers' flexibility. Last-minute changes are now possible without appreciably holding up document typesetting and distribution.

With the Wang WP system, RCA's two Graphic Systems Specialists easily handle the constant flow of typesetting work from Technical Publications, as well as handling all their word processing work for audit reports, consumer relations, etc.



BFGoodrich

Backed by a century of rubber and plastics innovation, the B. F. Goodrich Company's Chemical Group has become one of the nation's leaders in chemical sales. Headquartered in Cleveland, Ohio, the Group offers the broadest line of synthetic rubber anywhere, and is one of the world's largest producers of P.V.C. The Chemical Group's goals are not only growth, but also improved quality in operations and services through the very latest in modern office equipment. A Wang WPS 30 word processor — with four video display workstations and two 40-CPS daisy wheel printers — in the Word Processing Department at headquarters, exemplifies commitment to these goals.

The System 30 supports the 800-person administrative offices — including Credit, Purchasing, Personnel, Accounting and Customer Services Departments — with an average workload rate of some 12,000 pieces of copy per month. A variety of applications are encompassed, which have been simplified through automated moving of pages, paragraphs, sentences and words between documents; sorting mail lists; and totaling mathematical tables. From the generation of training manuals and five-year corporate strategic plans, to the production of chart-formatted statistical reports and mass mailings, the WPS 30 is constantly streamlining operations. B. F. Goodrich is already making use of the equipment's expandability and flexibility. Future plans include enhancement of user services through the creation of mini-WP centers on three additional floors at headquarters, and implementation of telecommunications between Cleveland and Akron facilities.

WILLIS,
FABER &
DUMAS LTD



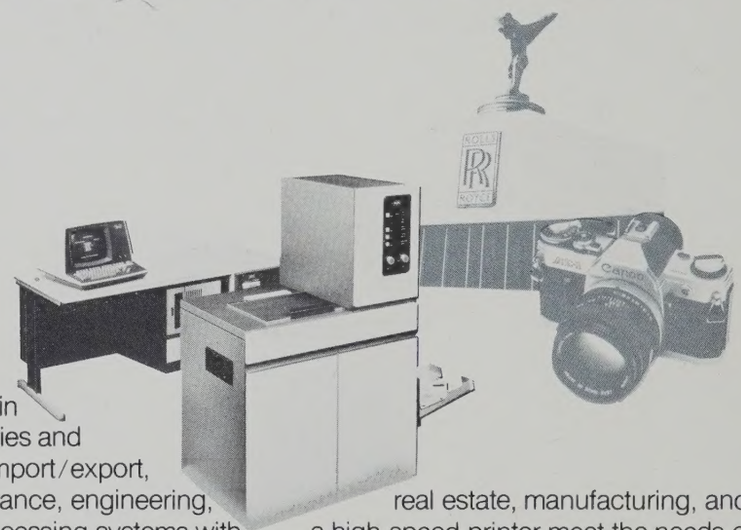
Willis, Faber and Dumas, Ltd. is one of the largest Lloyd's insurance brokers in the United Kingdom, handling gross premiums of about £800 million worldwide. In this inevitably paper-bound industry, the scope for word processing is massive. Over the past two years, Willis, Faber and Dumas have used their Wang word processing systems to meet the information handling demands generated by sophisticated underwriting procedures.

The Wang installation at Willis, Faber comprises six model 30's, two edit stations, and over 50 screens. This equipment is grouped into secretarial support groups, small word processing centers, and a large center used by all departments. The Wang installation covers Willis, Faber's London office in Trinity Square as well as the head office in Ipswich, 70 miles away. Extensive use is made of the Wang system communications that link the two offices and provide instant sharing of vital information.

Within each office, the Wang word processing systems are used to simplify and speed up the information handling necessary in Willis, Faber's extensive insurance business. The traditional description of the risk for the underwriter can — with Wang's unique glossary feature — be easily reformatted into a cover note and subsequently changed again to a policy wording for the client. Before a policy is printed, the text can be matched against Willis, Faber's own spelling program to provide an automated edit check.

Wang glossary features call up name and address files, and queue documents for printing on selected stationery. These glossary features are further enhanced by the Mathpak function that apportions the exact percentages of the underwriter's liability. The versatility of the Wang word processing systems allows Willis, Faber to both increase their productivity on complex information reformatting and at the same time simplify processing of the usual range of letters, memoranda, reports, and manuals.

JARDINES



Jardine, Matheson and Co., Ltd., the largest conglomerate in Hong Kong, has over 350 subsidiaries and associate companies engaging in import/export, distribution, shipping, finance, insurance, engineering, real estate, manufacturing, and other business. Two Wang word processing systems with a high-speed printer meet the needs of Jardines' company secretary and group personnel departments.

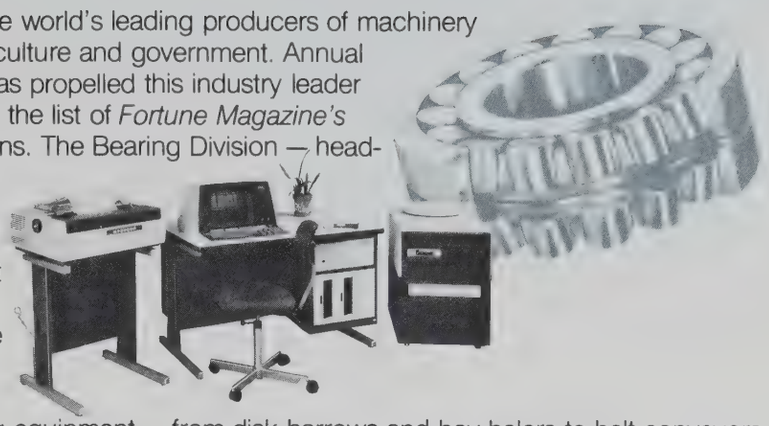
In the company secretary department, the Wang system generates board minutes, corporate data forms, standard letters and annual return forms. Secretary productivity has increased because the Wang word processors have greatly simplified the filing and retrieval of information.

With one operator being able to generate a full set of documentation quickly and easily, overtime expenses for secretaries and typists have been eliminated. Even more important, Jardines has found that the Wang word processing equipment reduced turn-around time on editing and producing major documents from an average of three days to one day.

The group personnel department uses the Wang WP system in typing weekly and monthly travel and assignment reports, standard letters, memos, personnel reports, and listings. The personnel reports normally encounter a considerable amount of last-minute changes, and Jardines' staff can make these changes much easier and faster than on the previous system which involved tedious operational procedures.

Jardines executives and staff have been pleased with the Wang word processing equipment because it has met their expectations that word processing systems would be the answer to complex information handling demands.

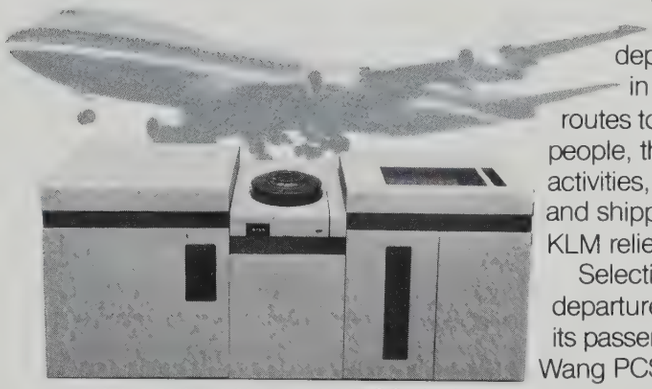
FMC



FMC Corporation is one of the world's leading producers of machinery and chemicals for industry, agriculture and government. Annual sales of some 3 billion dollars has propelled this industry leader into the ranks of the top 100 on the list of *Fortune Magazine's* largest U.S. industrial corporations. The Bearing Division — headquartered in Indianapolis, Indiana — manufactures a variety of ball and roller bearing types in some 15 to 75 different sizes per type. The advanced design and high quality of these products ensure reliable operation of farm machinery, defense hardware, and material handling equipment — from disk harrows and hay balers to belt conveyors, industrial fans and blowers, personnel carriers and large crawler-type vehicles used in the mining and construction industries.

In a business where dependability of products is paramount, reliability of the tools used to design these products is of equal importance. FMC's Bearing Division has employed Wang computing systems since 1968 — from the 370 and 700 series to the MVP. Constant superior performance, low cost, and expandability through an extensive choice of peripherals have made Wang computing systems the consistent choice over the years. A 32-K MVP with 5-megabyte disk drive, single floppy diskette, 2231 120-CPS line printer and 2232V 2½ × 4 foot flatbed plotter is presently serving the division through approximately 50 different programs. Valuable drafting time has been reduced by 50% through the simultaneous labeling of ten 8½ × 11 inch drawings on the large flatbed plotter — error free. This unique Wang peripheral is also used to automatically generate 17 × 22 inch C-size alpha-numeric plots. Other applications include scale layouts of bearing components; complex 3-D geometric roller bearing calculations; engineering man-hour project cost reporting; generation of weekly and monthly status and budgetary reports; and bearing analysis. Future plans include system enhancement through additional workstations, increased storage, telecommunications, and the interfacing of a Wang digitizer.

KLM



During every four-minute period in any day, an aircraft owned by Koninklijke Luchtvaart Maatschappij (K.L.M.) lands in or departs from one of 73 countries. The largest airline in Holland and the oldest in the world, KLM offers routes to 118 destinations. Employing nearly 18,000 people, the company is also involved in transport-related activities, such as coordinating travel arrangements and shipping cargo. To maintain its "top-flight" operation, KLM relies heavily on Wang computers.

Selecting the appropriate crew for each airplane departure is one of KLM's major responsibilities to its passengers. The company Crew Center employs a Wang PCS (Portable Computing System) for this task. Linked to a mainframe, the PCS desktop computer permits the safe and sensible scheduling of pilots, flight engineers and attendants.

The Department for Management Development at KLM has devised a unique application for its Wang 2200 processor. By manipulating safeguarded data on 1,800 employees, the Department is able to provide nearly ideal matches between individuals and job responsibilities. This system also facilitates the creation of career patterns for managers within the company, and has attracted interest from other large corporations with a keen interest in internal management potential.

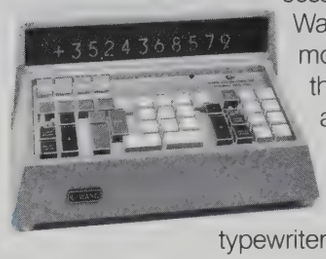
A Wang 2200 VP with a hard disk and a printer enables the Control Department of KLM to automate virtually all routine corporate functions. Staffed by very qualified people, the Control Department employs a host of VP utilities to expedite extensive programming and performance activities.

KLM has ordered two Wang VS virtual storage systems to be delivered in early 1980, to support a highly specialized aircraft maintenance group of 3,000 people. Among the proposed VS applications are the scheduling and tight control of maintenance procedures for KLM's planes. The company's future plans for Wang equipment, coupled with its present electronic capabilities, almost guarantee that KLM's growth and the quality of its service will continue to soar.

Wang Computer, Office and Integrated Systems.

PRODUCT EVOLUTION

During Fiscal 1979, Wang entered an entirely new marketplace both for the Company and the computer industry: Integrated Information Systems. These remarkable systems combine word processing, data processing, and telecommunications within the same system.



Wang is ushering in the 1980's with Integrated Information Systems that are more responsive to the needs and requirements of the business community than ever before in the history of the Company. Although these new products anticipate the future and utilize advanced state-of-the-art technologies, they are a reflection of over 25 years of Wang contributions to the data processing and word processing industries.

From early desktop calculators, programmable calculators and typewriter-based word processing systems, Wang products have evolved into small business systems, medium-to-large-scale computers, CRT-based word processing systems, Image Printers and phototypesetting equipment. With each new development, the Company has addressed an ever-expanding market. Along with major advances utilizing new and sophisticated technologies and capabilities, Wang products continue to offer the operational simplicity and end-user orientation that have earned Wang its leadership position in the industry. Even into the era of Integrated Information Systems and beyond, Wang will continue to combine sophistication and simplicity toward the ultimate goal of "Making the World More Productive."

INTEGRATED INFORMATION SYSTEMS

The introduction of Integrated Information Systems at the June, 1979, National Computer Conference in New York marked a major milestone for the future of Wang Laboratories. Wang's Integrated Information Systems (IIS) represent a marriage of computer technology with the evolving office systems environment. By combining word processing, data processing, telecommunications and a wide array of printing technologies on the same system, Wang Integrated Information Systems deliver far greater versatility, ease of operation and cost-effectiveness than multiple systems performing separate tasks.



Two forms of Integrated Information Systems are now available from Wang. For the office environment where some data processing is required, Wang Office Information Systems with BASIC language programming offer various sized businesses and departments a wide range of data processing capabilities, and the finest word processing available. In the EDP arena, where users demand greater data processing power in a variety of computer programming languages, Wang's VS-based Integrated Information System delivers full office automation in a multi-processing, multi-programming virtual storage system. These large Wang Integrated Information Systems offer the power and storage of mainframe computers and the full capabilities of Wang's highly successful word processing.

Although they are initially expected to account for a modest percentage of total sales, Wang Integrated Information Systems will play a significant role in the future of the Company and the business community of the 1980's.

2200 COMPUTER FAMILY

During Fiscal 1979 Wang expanded its 2200 family of computers to capture an even greater share of the low-to-mid-range computer market. First introduced in 1972, the 2200 has continued to find a large demand in commercial, scientific, educational and engineering applications. From the low-priced desktop PCS-II, the 2200 family extends to the MVP which addresses the needs of the multi-user segment of the small business computer marketplace. Industry sources predict this area of the computer marketplace will burgeon for the next five to ten years.



In order to strengthen Wang's leadership position in the small business computer marketplace, the Company strengthened the MVP product line with increased data storage capabilities of up to 160-megabytes; introduced a new terminal which adds character and line graphics capabilities for business use; and made up to 256,000 bytes of memory available to MVP users. New general business accounting application software (GBS) and an extended line of utilities software (ISS) have made Wang's MVP system even more responsive to the growing needs of the business and scientific community.

VS COMPUTER FAMILY



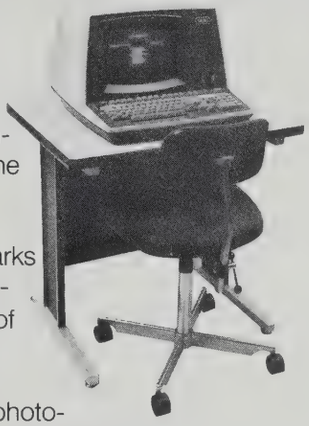
Introduced in Fiscal 1978, Wang's VS virtual storage computer family has become a major influence in the sophisticated *Fortune* 500 mainframe environment and large multi-terminal, multi-language, multi-programming markets. During Fiscal 1979, Wang's VS family was expanded with the introduction of the VS 100. The VS 100 delivers eight times the processing power previously available, in addition to the ease of operation, superior interactivity, and programming ease of all VS systems.

Wang's VS 100 provides increased throughput, storage and memory range, and the largest cache memory in its class. The first deliveries of the VS 100 will begin in 1980, further extending the range of VS applications from first-time users to the most sophisticated, large-scale EDP environments. Because Wang's VS is fully expandable, any user can grow incrementally from the smallest, single-workstation configuration to a VS 100 with a combination of over 200 workstations, printers and peripherals without reprogramming, recompiling, or major equipment replacement. New telecommunications options, Data Base Management and file management systems, and FORTRAN and PL/1 languages were introduced on all VS systems during Fiscal 1979, furthering Wang's commitment to "Making the World More Productive."

WANG WORD PROCESSING AND OFFICE INFORMATION SYSTEMS

Wang's office systems family continued to account for a significant portion of the Company's business in Fiscal 1979, with worldwide orders up 117% to $132,000,000, and sales of $93,000,000 representing a 106% increase over the previous year's performance.

The 1979 success of Wang's office systems is largely attributable to the Word Processing Systems series. From the standalone WPS 5 through the multi-terminal WPS 30, Wang's expandable systems automate text production and related document handling activities. Storing up to 4,000 pages and supporting up to 14 workstations and peripherals, the WPS systems facilitate routine office tasks in any environment. When enhanced by the appropriate peripheral devices and software packages, they perform more specialized operations, including photocomposition, telecommunications, and mathematical calculations. Designed for end-user operational simplicity and total compatibility, Wang Word Processing systems are easily upgraded.

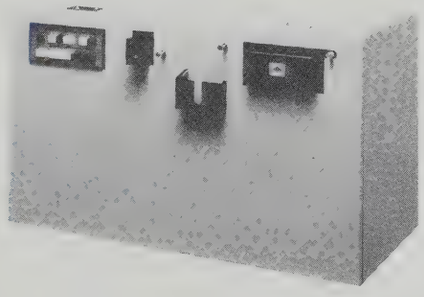


The 1979 introduction of the Office Information Systems (OIS) series reinforced Wang's leadership position in the industry. Evolutionary links between word processors and computers, the OIS/125, 130, 140 and 145 systems offer true computing capabilities using the BASIC programming language. They also multiply the power, storage and flexibility of the WPS systems. The OIS/145, for example, stores more than 330,000 pages and accommodates up to 32 peripheral devices.

Wang's present shipment rate of 1,200 workstations per month earmarks the Company as a major source of CRT-based equipment; several independent industry sources cite Wang as the primary worldwide supplier of CRT-based office systems.

PHOTOTYPESETTING AND PERIPHERALS

With the acquisition of Graphic Systems, Inc., in September of 1978, Wang entered a new segment of the office information marketplace — photocomposition systems. The introduction of the Typesetters 44 and 48 to the office systems product line made Wang the first company able to offer a total, integrated solution to the problem of printed communication in the office. Wang's Typesetters, in conjunction with Wang systems, allow the user to choose any of four or eight on-line type styles in 19 different character sizes from a library of over 250 typefaces. Wang photocomposition systems convert standard word processing text into appropriate typesetting formats. This allows users to benefit from a 30–50% reduction in the amount of paper needed to print the text. It also provides improved readability and document style, and increases image flexibility.



Wang Laboratories was the first in the industry to provide an intelligent printer for its Office Information Systems with the introduction of the Intelligent Image Printer in December, 1978. The Image Printer uses CRT and fiber optics technology to give the user the versatility of multiple on-line type styles, standard or proportionally spaced type and a speed of 18 pages per minute — almost 20 times faster than a standard daisy wheel printer.

The Image Printer offers substantial productivity improvements when preparing multiple originals of office correspondence. The Image Printer offers more flexibility and speed than traditional output devices. The family of Wang impact printers, the Typesetters 44 and 48 and the new Intelligent Image Printer offer the Wang system user a comprehensive selection of output alternatives from which to choose.

Wang resources.

CORPORATE



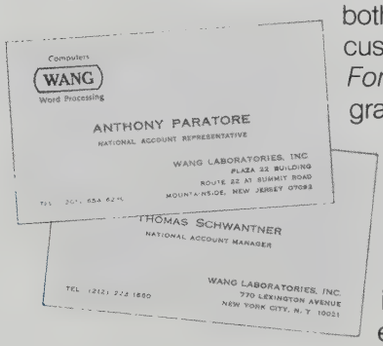
Wang's administrative policies and structures reflect the range of Wang products and the expanse of the Company's worldwide user base. As the product line grows to serve an even broader segment of the marketplace, Wang administrative practices and policies are adjusted to ensure responsiveness to both the market and our present user base. To date, the Company has more than 60,000 users and a $700 million installed base of current products around the world, comprising computers, word processing and office systems, and phototypesetting equipment.

In order to locate all Wang corporate functions centrally, new facilities are being built or acquired in the greater Lowell area. Most notably, a new 14-story corporate Development Center Tower is currently under construction near Wang headquarters in Lowell and will be ready for occupancy during 1979.

Fiscal 1979 saw the appointment of new vice presidents to provide an even higher degree of top-level coordinated management. These new executives have responsibilities for systems programming, market development, and marketing support. Other new vice presidents have responsibilities for field operations in Western Europe, Central Europe, the Pacific Area, European representative sales, and Latin American representative sales.

SALES AND MARKETING

In Fiscal 1979 Wang adopted a new three-market strategy for the 1980's that is unique to both Wang and the computer industry. Wang has historically been one of a very few companies marketing both computers and word processors, and has successfully served a customer base ranging from single-user operations to multi-national *Fortune* 500 companies. However, with the introduction this year of Integrated Information Systems which provide extended word processing and data processing capabilities on the same system, Wang has opened up the market of the 1980's.



During the next decade Wang intends to continue its role as a leader in manufacturing both computers and word processing equipment. Industry analysts are predicting even more significant growth in these areas than during the 1970's. However, Wang marketing experts foresee a growing trend toward systems that are capable of both word and data processing. They have addressed this market early on to assure a strong leadership position in a budding market. Segments of Wang's sales force have been trained in selling to the Integrated Information Systems market, and more sales effort will be concentrated in this area as it becomes increasingly important.

Wang Sales and Marketing groups expanded during 1979, reflecting the Company's growth and commitment to user support. Wang employs 975 sales and support personnel based in offices located in 118 North American cities. Because Wang is a user-oriented company, computers, word processors and peripherals are primarily sold outright. This end-user orientation is also evident in Wang's marketing support structure. Locally, Wang Sales and Marketing representatives deliver pre- and post-sales support. Nationally, Technical Information Centers in Lowell are open 12 hours daily to supply information on all products.

INTERNATIONAL

Wang's commitment to "Making the World More Productive" is demonstrated by the number of countries supported through international operations. The Company maintained its coverage of the international markets through a combination of 16 wholly-owned marketing subsidiaries employing over 1,500 people in sales, service, and administration, and more than 55 representative companies in other countries.

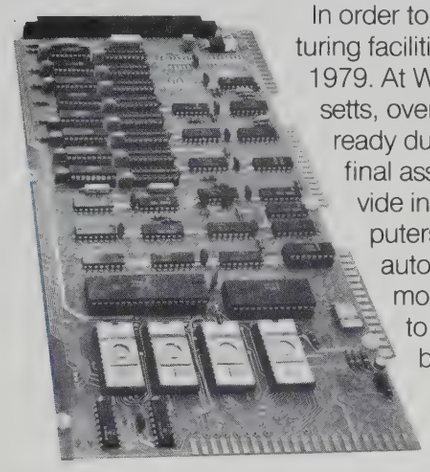


The growth of Wang's foreign business is com-

parable to that of domestic operations. In Fiscal 1979 approximately 42% of the Company's revenues were generated outside the United States. Wang's growth in the Pacific and Latin American Areas was significant in 1979, more than doubling 1979 sales. Other international areas grew approximately 65% compared to Fiscal 1978.

During Fiscal 1979, Wang continued to market all products on a worldwide basis, allowing at most a six-month delay between North American and international product announcements and market introductions. The procedure is consistent with the Company's philosophy of preserving its leadership position in the worldwide market for computer and word processing systems, phototypesetting and peripheral equipment, and the newly-introduced Integrated Information Systems.

MANUFACTURING

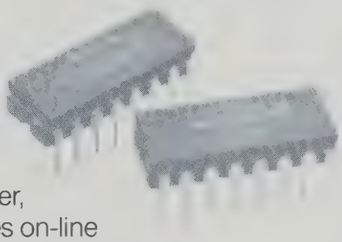


In order to keep pace with increased sales, construction of new manufacturing facilities both in Massachusetts and abroad was begun during Fiscal 1979. At Wang's manufacturing headquarters in Tewksbury, Massachusetts, over 246,000 square feet of additional manufacturing space will be ready during the first quarter of 1980. This new building will be used for final assembly of large disk-storage drives and peripherals and to provide increased production facilities for Wang's virtual storage computers. With the increased manufacturing space and the addition of automatic insertion equipment for discrete parts, and an increase of more than 60% in manufacturing personnel, Wang has been able to keep pace with increased sales without suffering the lengthy backlogs often associated with a growing, successful company.

A new Wang manufacturing facility in Puerto Rico began production during Fiscal 1979 and is now producing significant quantities of memory boards. The ability to "add on" memory enables users of Wang computers to upgrade their systems without costly shutdowns or major modifications.

RESEARCH AND DEVELOPMENT

In order to meet the Company's commitment to "Making the World More Productive" through products such as Wang's Integrated Information Systems, $16.5 million was invested in research and development during 1979, 87% more than in 1978. Wang now employs over 500 engineers, systems analysts and programmers with direct Research and Development responsibilities.



Research and Development is a vital function at Wang Laboratories. R & D assures the Company's future and strengthens its market base. During 1979 the Development Center released new products and a wide variety of peripheral devices; results of R & D effort spanning over five years. One of these products, the VS 100 computer, can simultaneously support 128 users, provides up to 4.6 billion bytes on-line storage, has multi-processing capabilities in five different computer languages, and is supported by a variety of telecommunications options and data base management software.

Wang has continued active development of the highly successful 2200 small business computer series during 1979. During the year these efforts have culminated in a four-fold expansion in 2200 MVP memory capacity from 64,000 to 256,000 bytes, and a new 2280 disk drive featuring an eight-fold expansion of on-line disk capacity.

Utilizing proven state-of-the-art technologies, Wang Research and Development groups strive to attain the highest possible degree of interactivity, ease of use, and reliability in every Wang product.

CUSTOMER ENGINEERING

Keeping a customer's world more productive is the charge of Wang's Customer Engineering Department. During the past year, Wang trained over 800 new customer engineers, representing a significant portion of the Department's 87% personnel growth. Training and administrative facilities in Billerica, Massachusetts, along with extended training facilities in Lowell, ensure that Wang Customer Engineers will be ready to support all new products as they are introduced. In Fiscal 1979 Wang cross-trained Customer Engineers on both computer and word processing products, to provide ready support teams for the new Integrated Information Systems which incorporate both word processing and data processing.

Wang's Customer Engineering Department represents one of the industry's largest end-user support groups for servicing and supporting the full line of Wang products. This capability allows Wang end-users to rely on dedicated Wang Customer Engineers for service and support. Wang Customer Engineers also work closely with Research and Development to assure continual product improvements and enhancements.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 1979 — Commission File No. 0-2915.

WANG LABORATORIES, INC.
(Exact name of registrant as specified in its charter)

Massachusetts	04-2192707
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Industrial Avenue, Lowell, Massachusetts	01851
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: (617) 851-4111

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Name of each exchange on which registered*
Class B Common Stock, par value $.50 per share	The American Stock Exchange
Class C Common Stock, par value $.50 per share	The American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months, (or for such shorter period, that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Class B Common Stock outstanding as of June 30, 1979 — 20,075,731 shares
Class C Common Stock outstanding as of June, 30, 1979 — 4,104,229 shares

Item 1. Business

Introduction .

The Company designs, manufactures, markets and services computers and related peripheral devices which are combined into (a) information processing systems for use in business, technical and scientific applications and (b) word processing systems.

Computer Systems

Information Processing Systems — The Company currently produces, sells, and services configurations of computers, identified as the System 2200 and the System 2200VS, for technical and scientific, business, and distributed data processing applications.

The System 2200, initially delivered in May 1973, is normally purchased as an "unbundled" system in which computers are combined with peripheral devices and application software. These systems are primarily sold to commercial, scientific, and engineering end users. From 1975 to April 1978, the Company packaged or "bundled" systems, known as WCS systems, in standardized configurations for marketing to commercial end users. The components of these systems continue to be available as units of the System 2200.

In September 1976, the Company introduced the 2200VP Central Processor designed to process data at rates 6 to 8 times faster than the standard System 2200 Central Processor. In March 1977, the Company introduced its PCS II system at the low end of the System 2200 line. In December 1977, the Company made initial deliveries of the System 2200MVP which allows up to 8 operators to simultaneously share common computer resources such as disk memory units and printers.

In October 1977, the Company introduced new higher priced systems, designated System 2200VS, having multiple terminal, multiple language, and improved programming capabilities. These systems extend the product line upward and permit up to 23 workstations and 2.3 billion bytes of on-line disk storage (a byte is the amount of computer storage that would typically be used to store one character, such as an "A" or "1").

In June 1979, an additional central processor, the 2200VS-100 was introduced. This new central processor of the VS series further extends upward the Company's computer systems, supporting up to 128 workstations and expanded disk storage capacity to 4.6 billion bytes.

Configurations of Wang Systems generally range in price from $4,800 to $800,000, depending upon the model, peripheral devices and software chosen by the customer. Modular central processor main memories can be expanded from 8,192 bytes to 2 million bytes. Sixty-eight peripheral devices, such as printers, input keyboards, plotters, card readers, and disk and tape memory units, are offered by the Company as options to its computer systems.

In most cases, application software for a customer's computer system is developed by independent third party software vendors or the customer's own internal data processing staff. The Company works closely with these vendors and staffs to provide technical support and assistance. The Company offers utility and framework computer programs to aid the customer or its chosen software vendor in programming these systems. Smaller systems such as the 2200 through the 2200MVP are programmable in Wang's "BASIC" language, and the Company believes that many of its customers choose such systems because of ease of programming. For its larger systems, the VS series, the availability of COBOL, RPG II, Fortran and PL1 as additional languages is believed to be a factor in customers choosing these systems.

The Company offers a number of standard software packages for special applications for use in statistical, banking, and civil engineering markets. The Company also offers specialized software packages combined with computer equipment which are marketed as industry-oriented systems. These include Wang/CASH, for use by public accountants; Manufacturing Management System for small manufacturers; Lifeline for life insurance agencies; Mortgage Management System for savings and loan institutions; and MPS (Management Planning System) for use in budgeting, forecasting, and planning. These specialized computer program packages and systems are offered primarily in North America.

The Company does not rely on plug compatibility of its systems with other computer systems on the market. Plug compatibility means the ability to attach directly to computers manufactured by others without an interface device. The Company's systems can, however, through standard industry devices, communicate with other computer systems.

Word Processing Systems — The Company made initial deliveries of its first word processing system in May 1972. In June 1976, the Company introduced its second generation word processing systems, the WPS 10, 20, and 30. This generation has been expanded and now consists of the WPS 5, 10A, 20, 25, and 30, and the OIS (Office Information Systems) 125, 130, 140 and 145, a fully expandable and integrated "family" of word processing systems ranging from single-operator, stand-alone workstations to configurations including central processors, 170 million bytes of disk storage capable of supporting 32 peripheral devices including workstations, high speed draft print-

ers, lower speed letter-quality printers, image printers, phototypesetters, and telecommunications options. The peripheral devices and options for the WPS and OIS systems are essentially the same units as are offered with the computer systems sold for business, technical and scientific applications. While the earlier word processors were based on a typewriter and were line-oriented, the WPS and OIS family are based on a cathode ray tube (CRT) workstation and are document-oriented. The operator sits at an electronic keyboard and "types" directly onto a CRT display. The information is then edited or corrected electronically by the operator, stored on magnetic disks, and printed. The WPS and OIS systems are much simpler for the operator to learn and provide substantially higher productivity than the automatic typewriter based systems. The WPS and OIS systems are designed as a modular product line which can be expanded to meet varying degrees of sophistication as the user's requirements demand.

On June 4, 1979 the Company introduced two Integrated Information Systems: a data processing based system which incorporates word processing capabilities on the 2200VS central processors and a word processing based system which incorporates data processing capabilities on the Wang OIS word processing systems. Orders have been received for the Integrated Information Systems, and initial deliveries are scheduled for the fall of 1979. These systems will include peripheral devices currently available on the current VS or OIS systems.

Marketing

The Company markets its products in the United States and Canada, principally through approximately 975 sales personnel based in offices located in 118 cities. Maintenance service for Company products is provided by the Company's customer engineering organization comprised of approximately 1,344 personnel located in the customer engineering headquarters in Massachusetts and in 118 field service offices throughout the United States and Canada.

The Company's products are marketed and serviced in Australia, Austria, Belgium, China, France, Great Britain, Hong Kong, Japan, Netherlands, New Zealand, Panama, Singapore, Sweden, Switzerland, and West Germany through wholly owned foreign subsidiaries employing approximately 475 sales and 417 service personnel. In addition, independent representatives and trade organizations market and service the Company's products in 56 other countries.

Independent software vendors, as described under the caption "Computer Systems," play an important role in the marketing and installation of the Company's computer systems, both in the U. S. and overseas.

Revenues from outside the United States accounted for approximately 42% of the Company's revenues in fiscal 1979. European subsidiaries were not profitable on a combined basis for the year ended June 30, 1979. See Note H of Notes to Consolidated Financial Statements. The Company believes these results were primarily related to expenditures intended to increase market penetration for the 2200VS and word processing markets and, to a lesser extent, an increased proportion of sales to distributors. The Company believes that it does not operate in foreign markets which have special risks beyond the normal business risks attendant to sales abroad, including currency fluctuation, price controls, and import and export restrictions.

The following table sets forth the composition of revenues between foreign countries and the United States for the five years ended June 30, 1979 (in thousands):

	Foreign Amount	%	Domestic Amount	%	Total
1979	$136,094	42	$185,471	58	$321,565
1978	86,729	44	111,405	56	198,134
1977	57,660	43	76,675	57	134,335
1976	42,068	43	54,788	57	96,856
1975	35,229	46	40,599	54	75,828

Countries contributing in excess of 10% of foreign revenues in each year presented were as follows: West Germany — 1975 — 24%, 1976 — 22%, 1977 — 20%, 1978 — 20%, 1979 — 17%; Australia — 1976 — 12%, 1979 — 10%.

No material portion of the Company's business is dependent on a single customer. In fiscal 1979, approximately 8% of revenues were derived from federal, state, and local governments.

Computers and related peripheral devices directed toward information processing applications are primarily sold outright, and those directed toward word processing applications are sold outright and rented. Leasing of equipment to customers on a long-term full-payout basis, is directed primarily to independent, third party lessors. Approximately 8% of revenues in fiscal 1979 were derived from sales to third party lessors who generally lease the equipment to end users under three and five-year, full-payout leases. The Company has no repurchase obligations to third party lessors who have purchased its equipment.

The Company's rentals of word processing systems are typically for an initial term of 12 months and give the customer the option to purchase the equipment. Since May 1977, the Company has entered into agreements with third parties which provide non-recourse financing of word processing systems rented under short-term rental agreements. Approximately 6% of revenues in fiscal 1979 were derived from such agreements. See Note D to Notes to Consolidated Financial Statements.

Markets

The Company's business is positioned in technical and scientific problem solving, business systems, and distributed data processing, which the Company views as sub-markets of the Information Processing market of the computer industry, and in the Word Processing market. Systems 2200 and 2200VS configurations are sold in the Information Processing market, and the WPS and OIS configurations are sold to Word Processing customers.

Information Processing

Technical & Scientific Problem Solving — The Company defines the Problem Solving market as the market for computers sold to perform the repetitive numerical calculations associated with research, engineering and statistical analysis within departments of large universities, the federal government, and technically oriented companies. Typical applications include various kinds of statistical and tabulation analysis, operations research, structural analysis, coordinate geometry, financial planning, and modeling. Much of the application software for this market is supplied by the Company. Prices of systems sold in this market range from $4,800 to $45,000.

Business Systems — The Company defines the Business Systems market as the market for computers sold to perform the record keeping and financial data processing requirements of smaller companies, government units and divisions of larger companies. Typical applications include foreign exchange currency transactions at major banks, order-entry and inventory management for distribution and manufacturing industries, project management for the construction industry, and accounting within life insurance agencies. Systems sold to this market segment range in price from $10,000 to $800,000.

Distributed Data Processing — The Company defines the Distributed Data Processing market as the market for intelligent terminals or computers coupled with telecommunication capabilities which enable them to perform local on-site jobs and then communicate results to another computer over telephone lines. Users of these multiple systems are large industrial companies and financial institutions as well as federal and state governments. Typical applications include consolidation of remotely gathered data, distributed payroll processing, and order entry processing. System prices in this market are $8,000 to $50,000. The Company provides a full line of industry-compatible telecommunications options for the entire System 2200 and PCS II configurations.

Word Processing

The Company defines the Word Processing market as the market for computers sold to increase efficiency in text processing and repetitive typing. Typical word processing applications include client account reporting in public accounting firms, document preparation in law firms, and customer service applications in major retail chains. The Company has been in the word processing marketplace for seven years and currently offers both stand-alone and multiple work-station systems in the $10,000 to $300,000 price range.

Competition

Technical & Scientific Problem Solving — Major competitors in this segment of the industry include Hewlett-Packard Corp. (9825, 9830 Series), Digital Equipment Corp. (PDP8, PDP11, Classic Series), Tektronix, Inc. (4051 Series), Data General (Nova) and IBM (5100 desk-top computer). The Company believes that its traditional technological innovation, particularly with regard to the development of low cost scientific peripherals such as drum plotters, digitizers, and on-line interfaces, permits it to compete effectively in this market.

Business Systems — Major competitors in this segment of the industry include IBM (the 5110, the low end of the IBM System 3 and Systems 32 and 34), Burroughs Corp. (the L Series, the B80, the B700, and B800), Digital Equipment Corp. (DEC Data System),

Data General, and Basic/Four Corp. At the higher end are also included larger IBM System 3 configurations, the low end of the IBM 370 line, the IBM E Series 4331 and 4341 and the IBM 8100, Digital Equipment Corp. (PDP 11/34-11/70 series), Data General's CS 20/40/60 series and Eclipse series, and Hewlett-Packard's 3000. The Company considers its major competitive strength in this market to be its emphasis on, and the variety of its products in, the $10,000 to $800,000 price range, its extensive end-user sales and service organization, and the technical support it provides both end users and third party software vendor organizations.

Distributed Data Processing — Major competitors in this segment of the industry include Digital Equipment Corp., Datapoint Corp., Sycor, Inc., Four Phase, IBM (Series 1), Data General, Olivetti, and Nixdorf. The Company's ability to compete in this market segment depends in large part on the strength of its worldwide service and sales organization and its continued capability to develop microprocessor-based, industry-compatible, communication devices.

Word Processing — Major competitors in this segment of the industry include IBM, Xerox Corp., Burroughs Corp. (its Redactron subsidiary), Exxon (its Vydec subsidiary) and Lanier Corporation (a distributor of AES products). The Company's ability to compete in this market segment depends on the effectiveness of its support and sales organization and its continued ability to innovate by applying large scale computer technology to dedicated text-editing systems.

The markets the Company serves are very competitive and include some firms with substantially greater financial resources, much larger research and engineering staffs, and larger marketing organizations. Most of the firms listed above have substantially greater revenues and assets than the Company. The industry served by the Company is also characterized by rapid technological advances. The Company would be adversely affected if its competitors introduced technologically superior products or offered their products at prices significantly lower than the Company's products. The Company believes that the industry will continue to make significant technological advances and that competition is likely to increase.

Research and Development

The technology involved in the design and manufacture of the Company's products is complex and subject to constant change. Accordingly, the Company is committed to a program of research and development which is oriented primarily toward new hardware and software products as well as the improvement and refinement of existing products and their uses. In fiscal 1979, the Company spent approximately $16,464,000 for research and development, all of which was Company sponsored. This compares with $8,800,000 expended during fiscal 1978. These expenditures reflect direct labor costs and some allowances for material and overhead expenses. Approximately 550 engineers, systems analysts, and programmers are employed by the Company in research and development.

Licenses, Patents and Trademarks

The Company owns patents, registered trademarks, trade secrets, and proprietary information. The Company does not consider that its business is dependent on any patent or group of patents known to the Company. The Company is licensed under certain patents and proprietary information owned by others. The amounts payable under such licenses are not material. In the event that products manufactured by the Company may be covered in whole or in part by patents owned by others, the Company may find it desirable or necessary to obtain one or more additional licenses.

Backlog

At June 30, 1979, the Company's backlog was approximately $163,000,000, substantially all of which is deliverable before June 30, 1980. Comparable backlog at June 30, 1978, was $70,000,000. Lead time required to deliver the Company's products generally varies from 3 weeks to 6 months and in some cases is dependent on completion of related software. Backlog also includes unbilled revenues from rentals and maintenance contracts, to the extent that customers are committed thereto by contract. At June 30, 1979 and June 30, 1978, approximately $62,200,000 and $25,200,000, respectively, of the above backlog amounts related to equipment rentals and maintenance contracts. Delivery dates occasionally have been extended at the request of the customer, and historically a small percentage of orders have been cancelled.

Manufacturing

The Company's manufacturing operations are presently located in a 612,000 square foot facility in Tewksbury, Massachusetts, and a 209,000 square foot facility in Lowell, Massachusetts. In January 1979, the Company started manufacturing printed circuit boards in a leased 16,000 square foot facility in Juncos, Puerto Rico.

The Company owns substantially all of the machines, tools, and equipment required for its operations. Wang's products are assembled by it from components and parts, with the exception of the mechanical portions of certain mass storage peripherals (such as magnetic disk drives) which it purchases preassembled. The components and mechanical subassemblies are purchased from a variety of outside vendors. Although the Company has experienced no difficulties in obtaining necessary components and subassemblies, it has increased the number of vendors it uses and has increased its inventories of certain components and subassemblies. Over the years, the Company has gradually broadened and is continuing to broaden the in-house design and manufacture of its own peripheral devices, such as printers, CRT work stations, plotters, and telecommunications devices.

The Company employs approximately 2,580 personnel in its manufacturing operations. An extensive quality control department is responsible for monitoring all phases of production. During fiscal 1979, the number of mechanical components, printed circuit boards and sheet metal parts fabricated from in-house facilities has increased, resulting in improved availability and quality as well as savings in the cost of the finished products.

On July 16, 1979, the Company submitted a proposal to the Republic of Ireland relating to the establishment of a manufacturing facility in Ireland. If this proposal is accepted, the Company believes limited operations could commence after January 1980.

Employees

At June 30, 1979, the number of persons employed by the Company was approximately 7,725 (4,600 at June 30, 1978). The Company has not experienced any strikes or work stoppages and considers its relations with its employees to be good. None of the employees of the Company are represented by a labor union.

Item 2. Summary of Operations.

	Year Ended June 30				
	1979	1978	1977	1976	1975
	(Dollar amounts in thousands except per share data)				
Revenues:					
Net sales and service revenues	$299,041	$185,404	$126,848	$90,980	$71,235
Rental income	22,260	12,547	7,281	5,713	4,290
Other income	264	183	206	163	303
	321,565	198,134	134,335	96,856	75,828
Costs and expenses:					
Cost of products and services sold	137,774	85,016	59,597	45,849	37,404
Research and development	16,464	8,800	6,550	4,263	3,348
Selling, general and administrative	111,817	70,778	48,543	34,243	27,859
Interest	7,925	4,948	2,951	2,429	2,762
	273,980	169,542	117,641	86,784	71,373
Earnings before income taxes	47,585	28,592	16,694	10,072	4,455
Provision for income taxes	19,000	13,000	7,570	3,900	1,200
Net earnings	$ 28,585	$ 15,592	$ 9,124	$ 6,172	$ 3,255
Net earnings per Class B Common and Class C Common share	$1.17	$.69	$.44	$.30	$.16
Average Class B Common and Class C Common shares and common share equivalents outstanding	24,441,972	22,585,414	20,659,160	20,440,800	20,353,268
Dividends per Class B Common share	$.10	$.07	$.055	$.0125	$ —
Dividends per Class C Common share	$.06	$.04	$.12	$.10	$.08

Dividends per share of Class B Common Stock have been adjusted to reflect the effect of shares issued in connection with the stock splits effected as dividends.

Inventories used in the determination of cost of products and services sold were as follows (in thousands):

June 30, 1979	$108,674
June 30, 1978	56,193
June 30, 1977	41,367
June 30, 1976	29,127
June 30, 1975	26,621
June 30, 1974	27,485

The summary of operations should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENT OF CONSOLIDATED EARNINGS

1979 vs. 1978

Revenues increased 62.3%. This growth, which extended to all major products and geographical areas, was most significant in word processing and 2200 VS systems and is believed to reflect an accelerating acceptance of and demand for the Company's products, as well as continued growth of the computer market. Price increases were not significant during the period.

Cost of products and services sold increased 62.1% representing 42.8% of revenues compared to 42.9% of revenues for 1978. These percentages reflect decreases in costs attributable to economies of scale resulting from higher revenues and reductions in the cost of certain component parts, offset in part by increases in service and technical personnel to support increased market penetration in the commercial computer and word processing markets.

Research and development expenses increased 87.1%, representing 5.1% of revenues in 1979 compared to 4.4% in 1978. This increased level of expenditures includes costs associated with integrated information systems and the VS100 systems announced in June 1979. Expenditures were also made for the development of new peripheral devices including the Company's image printer and its phototypesetting products.

Selling, general and administrative expenses increased 58.0% but decreased .9% as a percentage of revenues. As a percentage of orders, which increased 78.9% to $415 million in 1979 from $232 million in 1978, selling, general and administrative expenses decreased by 3.6%. The increases in total expenses reflected significant increases in the number of sales support and service employees and related sales office costs. Improvements as a percentage of revenues and orders reflect further increases in productivity.

Interest expense increased 60.2% reflecting higher interest rates and a $58 million increase in borrowing, used principally for working capital and property, plant and equipment.

The Company's effective income tax rate decreased from 45% in 1978 to 40% in 1979. This decrease resulted primarily from benefits related to the Company's new manufacturing facility in Puerto Rico and from additional investment tax credits. See Note 2 of "Notes to Consolidated Earnings".

1978 vs. 1977

Revenues increased 47.5%. This growth, which extended to all major products and geographic areas, is believed to reflect greater acceptance of and demand for the Company's products as well as continued growth of the computer market. Price increases were not significant during the period.

Cost of products and services sold increased 42.7% representing 42.9% of revenues, compared to 44.4% for 1977. The improvement in gross margin is primarily attributable to economies of scale resulting from higher revenues, improved manufacturing efficiencies resulting from a leveling of quarterly production enabling greater productivity during slower manufacturing periods, and improved manufacturing controls.

Research and development expenses increased 34.4%. A majority of the increase was related to the development of system software for new products and new application software. Expenditures were also made for the development of new peripheral devices.

Selling, general and administrative expenses increased 46.1% while decreasing slightly as a percentage of revenues. Increases in the number of sales and sales support employees and related sales office costs primarily contributed to the overall increase. As a percentage of orders, which increased 54% in 1978, selling, general and administrative expenses decreased by 1.6%. These improvements reflect further increases of productivity within the sales organization.

Interest expense increased 67.7% reflecting increased levels of borrowing, which increased approximately $20,000,000, used principally for working capital and property, plant and equipment, and increases in the prime rate of interest to which a portion of the Company's borrowing is tied.

Income tax fluctuations are explained in Note E of "Notes to Consolidated Financial Statements".

Item 3. Properties.

The administration, sales, marketing, and development center operations of the Company are located in a modern 273,000 square foot complex on fifteen acres of land in Lowell, Massachusetts, which the Company purchased in June 1976. The facility is located at the intersection of major highways which connect the Company's Tewksbury and Burlington facilities. The Company is currently constructing a 378,000 square foot, 14 story administrative and development center tower adjacent to its current headquarters facility. The tower is expected to be completed in the first quarter of calendar 1980.

Manufacturing operations are principally located in a modern brick 612,000 square foot complex owned by the Company and located in Tewksbury, Massachusetts. The original building, completed in 1964 and expanded by six additions completed in 1966, 1968, 1970, 1973, 1978, and 1979, is located on an 88-acre site owned by the Company. In March of 1978, the Company purchased a 209,000 square foot facility located on 17 acres of land, adjacent to its Lowell headquarters. This facility primarily houses manufacturing operations. In March of 1979, the Company purchased a 325,000 square foot used facility located on 6.6 acres of land in Lawrence, Massachusetts. This facility now houses most of the Company's customer engineering operations. The Company believes that its facilities are adequate to meet its current requirements.

In October 1975 the Company purchased an 80,000 square foot facility in Burlington, Massachusetts. The facility houses the Wang Data Center, the Wang Training Center, and the District Sales and Service Offices for the Boston area.

Outside the U.S., the Company owns a 35,334 square foot facility on five acres of land near Brussels, Belgium which serves as the administrative and support headquarters for European operations, and a 30,000 square foot facility in Utrecht, Holland, which serves as the offices for the Company's sales and service operations in Holland.

The Company rents sales offices in many locations throughout the United States, Canada, Europe, and the Far East under short-term leases. The Company also rents a facility in Juncos, Puerto Rico used for manufacturing operations. At June 30, 1979, aggregate real estate rental commitments for the coming year were approximately $7,661,000. See Note I to "Notes to Consolidated Financial Statements."

Item 4. Parents and Subsidiaries.

Subsidiary	% of Ownership By Registrant	Organized Under Laws of
Wang Computer Pty. Ltd.	100%*	Australia
Wang Gesellschaft m.b.H.	100%*	Austria
Wang Europe S.A./N.V.	100%*	Belgium
Wang Laboratories (Canada) Limited	100%*	Canada
Wang Industrial Co. Ltd.	100%*	China
Wang Laboratories (Taiwan) Ltd.	100%*	China
Wang France S.A.R.L.	100%*	France
Wang (U.K.) Ltd.	100%*	Great Britain
†C.S. Computer Services Ltd.	100%*	Great Britain
Wang Pacific Ltd.	100%*	Hong Kong
Wang Computer, Ltd.	100%*	Japan
Wang Nederland, B.V.	100%	Netherlands
Wang Computer Ltd.	100%	New Zealand
Wang de Panama (CPEC) S.A.	100%*	Panama
Wang Computer (Pte) Ltd.	100%*	Singapore
†Wang Computers (South Africa) Pty. Ltd.	100%*	South Africa
Wang Skandinaviska AB	100%*	Sweden
Wang A.G.	100%*	Switzerland
†Wang Trading A.G.	100%*	Switzerland
Wang Financial Corporation	100%*	United States
Wang International Trade, Inc.	100%*	United States
Wang Puerto Rico, Inc.	100%	United States
Wang Americas, Inc.	100%	United States
Wang Graphic Systems Inc.	100%	United States
Wang Voice Communications Systems, Inc.	100%	United States
†Wang Latin America, S.A.	100%	Venezuela
Wang Laboratories, GmbH	100%*	West Germany

*Includes directors' qualifying shares

†Non-operating

Item 5. Legal Proceedings.

Registrant is not a party to any material legal proceedings.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness.

(a) Class B Common Stock:

On July 1, 1978, Registrant had issued and outstanding 7,277,452 shares of Class B Common Stock, par value $.50 per share. On June 30, 1979, 20,075,731 Class B Common shares were issued and outstanding. The net increase of 12,798,279 Class B shares resulted from the following transactions:

At July 1, 1978, Registrant held as treasury shares 2,422 shares of its Class B Common Stock, par value $.50 per share. At various dates during the year ended June 30, 1979 an aggregate of 39,660 shares of Class B Common Stock were purchased by the Registrant. As a result of the stock split in the form of a dividend described below, 21,491 shares of Class B Common Stock were paid into the Company treasury on account of the Class B Common shares and Class C Common shares it held. During the year 2,310 of these shares were transferred from the treasury by the Registrant to certain of its employees in connection with their exercise of Qualified and Non-Qualified options to purchase Class B Common shares, and 51,697 of these shares were transferred from the treasury to employees in connection with their exercise of Qualified and Non-Qualified options to purchase Class C Common shares. A total of 9,566 shares were held by the Registrant, as treasury stock, on June 30, 1979, and are therefore not outstanding.

On May 1, 1979 the Company declared a stock split in the form of a dividend of one share of Class B Common Stock for each share of Class B Common Stock and Class C Common Stock issued as of May 21, 1979, payable on June 12, 1979, which resulted in the issuance of 12,073,471 shares of Class B Common Stock.

In addition, during the year ended June 30, 1979, 102,332 of authorized but previously unissued shares of Class B Common Stock, par value $.50 per share, were issued by the Registrant to certain of its employees for an aggregate purchase price of $1,315,532 upon their purchase of such shares pursuant to the Registrant's Employees' Stock Purchase Plan. Also during the year 26,192 of authorized but previously unissued shares were issued to employees in connection with their exercise of options to purchase Class B Common shares and 2,788 of authorized but previously unissued shares were issued to employees in connection with their exercise of options to purchase Class C Common shares. Also during the year 100,640 of authorized but previously unissued shares were issued to the First National Bank of Boston, as trustee, pursuant to the Employees' Stock Bonus Plan.

On August 22, 1978 the Company sold in a public offering 500,000 shares of $.50 par value Class B Common Stock at a price to the public of $30.125 per share. The total price to the public was $15,062,500 less underwriting discounts and commissions of $775,000 or net proceeds of $14,287,500. The principal underwriter was Merrill Lynch White Weld Capital Markets Group. These securities were registered under the Securities Act of 1933. Initially, the Company used the net proceeds from the sale of the shares of Class B Common Stock to reduce outstanding balances under the Company's revolving credit agreement which were incurred for working capital purposes.

On July 1, 1978 there were outstanding Qualified Stock Options for an aggregate of 54,400 Class B Common shares and Non-Qualified Stock Options for an aggregate of 975,540 Class B Common shares, as adjusted for the stock split in the form of a dividend declared on May 1, 1979. During fiscal year 1979 no Qualified Stock Options were granted and Non-Qualified Stock Options were granted for an aggregate of 112,563 shares. During the fiscal year no Qualified Stock Options expired or terminated. Non-Qualified Stock Options aggregating 19,421 shares expired or terminated, and Qualified options for 8,000 shares and Non-Qualified options for 20,502 shares were exercised. At June 30, 1979, there were outstanding Qualified Stock Options for an aggregate of 46,400 Class B Common shares and Non-Qualified Stock Options for an aggregate of 1,048,180 Class B Common shares.

(b) Class C Common Stock:

On July 1, 1978, Registrant had issued and outstanding 4,121,145 shares of Class C Common Stock, par value $.50 per share. On June 30, 1979, 4,104,229 Class C Common shares were issued and outstanding. The net decrease of 16,916 Class C Common shares resulted from the following transactions:

On July 1, 1978, Registrant held as treasury shares 3,733 shares of its Class C Common Stock, par value $.50 per share. At various dates during the year ended June 30, 1979, an aggregate of 48,406 shares of Class C Common Stock were purchased by the Registrant. During the year 29,859 of these shares were transferred from the treasury to employees in connection with their exercise of Qualified and Non-Qualified Stock Options. A total of 22,280 shares were held by the Registrant, as treasury stock, on June 30, 1979 and are therefore not outstanding.

In addition, during the year 1,631 of authorized but previously unissued shares of Class C Common Stock, par value $.50 per share, were issued by the Registrant to employees in connection with their exercise of Qualified and Non-Qualified stock options.

At July 1, 1978 there were Qualified Stock Options for an aggregate of 52,590 shares of Class C Common Stock and Non-Qualified Stock Options for an aggregate of 40,750 shares of Class C Common Stock outstanding. During fiscal year 1979 no options were granted for Class C Common shares. During the year, Qualified Stock Options aggregating 100 shares expired or terminated, and Qualified options for 20,990 shares and Non-Qualified options for 10,500 shares were exercised. At June 30, 1979 there were outstanding Qualified Stock Options for an aggregate of 31,500 shares and Non-Qualified Stock Options for an aggregate of 30,250 Class C Common shares.

Item 7. Changes in Securities and Changes in Security for Registered Securities.

None.

Item 8. Defaults Upon Senior Securities.

None.

Item 9. Approximate Number of Equity Security Holders.

At June 30, 1979, there were approximately the following number of holders of record of each class of Registrant's equity securities:

(1) Title of Class	(2) Number of Record Holders
Class B Common Stock, par value $.50 per share	8,930
Class C Common Stock, par value $.50 per share	5,592

Item 10. Submission of Matters to a Vote of Security Holders.

On June 12, 1979 a special meeting of the stockholders was held for the following purposes:

(1) To act upon a proposal to amend the Company's Restated Articles of Organization to provide for an increase in the number of authorized shares of Class B Common Stock, 50¢ par value, from 20,000,000 shares to 30,000,000 shares and to authorize the Board of Directors to issue the same from time to time as it may determine. Results of voting were as follows: Class B Common Stock: for — 6,709,280, against — 36,843; Class C Common Stock: for — 3,602,369; against — 22,475.

(2) To act upon a proposal to amend the Company's Restated Articles of Organization to change the name of the Company's Common Stock, 50¢ par value, to "Class C Common Stock", 50¢ par value. Results of voting were as follows: Class B Common Stock: for — 6,722,618, against — 23,505; Class C Common Stock: for — 3,609,041, against — 16,338.

Item 11. Indemnification of Directors and Officers.

There is no change in the information required by this Item from that provided in the Registrant's Form 10-K for the fiscal year ended June 30, 1971.

Item 12. Financial Statements, Exhibits Filed, and Reports on Form 8-K.

Financial Statements:

Consolidated Balance Sheet — June 30, 1979 and 1978

Statement of Consolidated Earnings — Years ended June 30, 1979 and 1978

Statement of Changes in Stockholders' Equity — Years ended June 30, 1979 and 1978

Statement of Changes in Consolidated Financial Position — Years ended June 30, 1979 and 1978

Notes to Consolidated Financial Statements

Schedules:

Schedule V — Property, Plant and Equipment

Schedule VI — Accumulated Depreciation and Amortization of Property, Plant and Equipment

Schedule XII — Valuation and Qualifying Accounts and Reserves

Schedule XVI — Supplementary Income Statement Information

All other schedules (Nos. I, II, III, IV, VII, VIII, IX, X, XI, XIII, XIV, XV, XVII, XVIII and XIX) for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

Individual financial statements of the Registrant have been omitted as the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements filed, in the aggregate, do not have minority equity interests and/or indebtedness to any person other than the Registrant or its consolidated subsidiaries in amounts which together (excepting indebtedness incurred in the ordinary course of business which is not overdue and matures within one year from the date of its creation, whether or not evidenced by securities, and indebtedness of subsidiaries which is collateralized by the Registrant by guarantee, pledge, assignment, or otherwise) exceed 5 percent of the total assets as shown by the most recent year-end consolidated balance sheet.

Exhibits:

Exhibit 1, Computation of Earnings Per Share, is attached hereto.

Reports on Form 8-K:

The Company filed no reports on Form 8-K with the Securities and Exchange Commission during the quarter ended June 30, 1979.

REPORT OF ERNST & WHINNEY, INDEPENDENT AUDITORS

200 Clarendon Street • Boston, MA 02116 • Phone 617/266-2000

Board of Directors
Wang Laboratories, Inc.
Lowell, Massachusetts

We have examined the consolidated balance sheet of Wang Laboratories, Inc. and subsidiaries as of June 30, 1979, and June 30, 1978, and the related consolidated statements of earnings, changes in stockholders' equity, and changes in financial position for the years then ended and the schedules listed in the preceding index. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Wang Laboratories, Inc. and subsidiaries at June 30, 1979, and June 30, 1978, and the consolidated results of their operations, and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the schedules referred to above present fairly the information set forth therein in compliance with the applicable accounting regulations of the Securities and Exchange Commission.

Boston, Massachusetts
July 27, 1979

Ernst & Whinney

CONSOLIDATED BALANCE SHEET

WANG LABORATORIES, INC. AND SUBSIDIARIES

(Dollar amounts in thousands)

ASSETS	June 30 1979	1978
CURRENT ASSETS		
Cash	$ 5,002	$ 7,661
Accounts receivable, less allowances ($5,322 in 1979 and $4,520 in 1978)	90,238	53,510
Inventories:		
Finished products	20,905	17,827
Field service parts and assemblies	29,202	16,330
Work in process and subassemblies	14,289	5,898
Raw materials	44,278	16,138
	108,674	56,193
Prepaid expenses	2,842	1,821
TOTAL CURRENT ASSETS	206,756	119,185
OTHER ASSETS		
Rental equipment, less accumulated depreciation ($9,899 in 1979 and $6,917 in 1978)	18,809	11,601
Miscellaneous	3,956	2,779
	22,765	14,380
PROPERTY, PLANT AND EQUIPMENT		
Land and buildings	32,465	17,288
Machinery and equipment	32,691	17,769
	65,156	35,057
Less accumulated depreciation	13,468	8,824
	51,688	26,233
Demonstration and service equipment, less accumulated depreciation ($11,836 in 1979 and $7,345 in 1978)	23,015	13,396
	74,703	39,629
	$304,224	$173,194

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30 1979	1978
CURRENT LIABILITIES		
Notes payable to banks	$ 10,753	$ 7,945
Accounts payable	35,860	16,898
Compensation and amounts withheld therefrom	13,113	9,353
Taxes, other than income taxes	5,259	1,725
Income taxes	3,454	4,091
Dividends payable to stockholders	865	296
Portion of long-term debt due within one year	503	586
TOTAL CURRENT LIABILITIES	69,807	40,894
LONG-TERM DEBT, less current portion	111,178	55,974
DEFERRED INCOME TAXES	5,000	1,329
STOCKHOLDERS' EQUITY		
Preferred Stock, par value $1.00 per share — authorized 6,000,000 shares, none issued		
Class B Common Stock, par value $.50 per share — authorized 30,000,000 shares in 1979 and 10,000,000 shares in 1978, issued 20,085,297 in 1979 and 7,279,874 in 1978	10,043	3,640
Class C Common Stock, par value $.50 per share — authorized 10,000,000 shares, issued 4,126,509 in 1979 and 4,124,878 in 1978	2,063	2,062
Capital in excess of par value	25,011	14,284
Retained earnings	81,734	55,149
	118,851	75,135
Less cost of capital stocks in treasury (9,566 shares of Class B Common Stock and 22,280 shares of Class C Common Stock in 1979, and 2,422 shares of Class B Common Stock and 3,733 shares of Class C Common Stock in 1978)	612	138
	118,239	74,997
	$304,224	$173,194

See notes to consolidated financial statements.

Certain reclassifications of 1978 amounts have been made for purposes of comparison.

STATEMENT OF CONSOLIDATED EARNINGS

WANG LABORATORIES, INC. AND SUBSIDIARIES
(Dollar amounts in thousands except per share data)

	Year Ended June 30 1979	1978
Revenues:		
Net sales and service revenues	$299,041	$185,404
Rental income	22,260	12,547
Other income	264	183
	321,565	198,134
Costs and expenses:		
Cost of products and services sold	137,774	85,016
Research and development	16,464	8,800
Selling, general and administrative	111,817	70,778
Interest	7,925	4,948
	273,980	169,542
EARNINGS BEFORE INCOME TAXES	47,585	28,592
Provision for income taxes	19,000	13,000
NET EARNINGS	$ 28,585	$ 15,592
Net earnings per share	$1.17	$.69

See notes to consolidated financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

WANG LABORATORIES, INC. AND SUBSIDIARIES

(Dollar amounts in thousands)

	Class B Common Stock Par Value $.50 Per Share	Class C Common Stock Par Value $.50 Per Share	Capital In Excess of Par Value	Retained Earnings	Less Cost of Common Stocks In Treasury	Total Stockholders' Equity
BALANCE AT JUNE 30, 1977	$ 3,128	$2,053	$ 6,065	$40,698	$ 554	$ 51,390
Net earnings				15,592		15,592
Fair market value of 73,388 shares of Class B Common Stock issued to Employees Stock Purchase Plan	19		296		(262)	577
Cost of 34,988 shares of Class B Common Stock and 20,908 shares of Class C Common Stock purchased					813	(813)
Proceeds from sale of 910,000 shares of Class B Common Stock in public offering	455		7,737			8,192
Proceeds from exercise of employee stock options	38	9	186		(967)	1,200
Cash dividends declared				(1,141)		(1,141)
BALANCE AT JUNE 30, 1978	3,640	2,062	14,284	55,149	138	74,997
Net earnings				28,585		28,585
Fair market value of 100,640 shares of Class B Common Stock issued to Employees Stock Bonus Plan	50		1,870			1,920
Fair market value of 102,332 shares of Class B Common Stock issued to Employees Stock Purchase Plan	51		1,264			1,315
Cost of 39,660 shares of Class B Common Stock and 48,406 shares of Class C Common Stock purchased					2,656	(2,656)
Proceeds from sale of 500,000 shares of Class B Common Stock in public offering	250		13,932			14,182
Proceeds from exercise of employee stock options, including related income tax benefits of $1,200	15	1	(302)		(2,182)	1,896
Issuance of 12,073,471 shares of Class B Common Stock resulting from stock split in the form of a dividend	6,037		(6,037)			
Cash dividends declared				(2,000)		(2,000)
BALANCE AT JUNE 30, 1979	$10,043	$2,063	$25,011	$81,734	$ 612	$118,239

See notes to consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

WANG LABORATORIES, INC. AND SUBSIDIARIES
(Dollar amounts in thousands)

	Year Ended June 30 1979	1978
SOURCE OF FUNDS		
Net earnings	$ 28,585	$15,592
Provision for depreciation and amortization	17,070	9,743
Increase in deferred income taxes	3,671	90
Other	(264)	(183)
TOTAL FROM OPERATIONS	49,062	25,242
Additional long-term debt, less $20,000 refinanced in 1978	57,383	15,161
Proceeds from sale of Class B Common Stock in public offering	14,182	8,192
Proceeds from sale of capital stocks to employees	3,211	1,777
Fair market value of capital stocks contributed to Employees Stock Bonus Plan	1,920	
	125,758	50,372
USE OF FUNDS		
Additions to property, plant and equipment	47,116	20,268
Additions to rental equipment	12,236	8,093
Repayment of long-term debt	2,179	1,061
Purchase of treasury stock	2,656	813
Cash dividends declared	2,000	1,141
Increase in other assets	913	532
	67,100	31,908
INCREASE IN WORKING CAPITAL	$ 58,658	$18,464
COMPONENTS OF INCREASE IN WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	$ (2,659)	$ 6,083
Accounts receivable	36,728	8,968
Inventories	52,481	14,826
Prepaid expenses	1,021	485
	87,571	30,362
Increase (decrease) in current liabilities:		
Notes payable to banks	2,808	4,591
Accounts payable	18,962	2,344
Compensation and amounts withheld therefrom	3,760	3,325
Taxes, other than income taxes	3,534	734
Income taxes	(637)	711
Dividends payable to stockholders	569	116
Portion of long-term debt due within one year	(83)	77
	28,913	11,898
INCREASE IN WORKING CAPITAL	$ 58,658	$18,464

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WANG LABORATORIES, INC. AND SUBSIDIARIES

NOTE A — SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: — The consolidated financial statements include the accounts of the Company and its subsidiaries. Upon consolidation, all significant intercompany accounts, transactions and profits have been eliminated.

Translation of Foreign Currencies: — Current assets, excluding inventories, and liabilities of foreign subsidiaries are translated into U.S. dollar equivalents at the rates of exchange in effect at the close of the respective periods. All other assets are translated at historical rates of exchange. Revenue and expense accounts are translated at a weighted average of exchange rates in effect during the period, except that cost of sales and depreciation are translated at historical rates.

Exchange adjustments are included in earnings as they occur. Gain or loss on unperformed forward exchange contracts is accrued based upon the rates of exchange in effect at the close of the period and is included in exchange adjustments.

Inventories: — Inventories are stated at cost, first-in, first-out method, not in excess of net realizable value.

Property, Plant and Equipment: — These assets are carried at cost less accumulated depreciation and amortization, provisions for which have been computed using double-declining balance and straight-line methods, at rates necessary to extinguish such costs over estimated useful lives, as follows:

Land improvements	15 years
Buildings and leasehold improvements	40 years
Machinery and equipment	3-10 years
Demonstration and service equipment	7-8 years

Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Betterments and major renewals are capitalized and charged to property, plant and equipment.

Upon retirement or other disposal of assets, related allowances for depreciation and amortization are eliminated from the accounts and any resulting profit or loss reflected in consolidated earnings.

Revenue Recognition: — Revenues from equipment sales, non-recourse sales under third party agreements (Note D), and non-cancellable full-payout leases are recognized at the time equipment is shipped.

The Company leases certain equipment to customers for an initial term of generally one year, after which time the leases are cancellable by the lessee. Such leases are accounted for as rentals and, accordingly, rental income is included in income as earned and the cost of the equipment is amortized over the estimated useful life of seven years by use of the double-declining balance method. Rental equipment is continuously reviewed for remarketability and unamortized cost is written off when appropriate.

Service revenues are recognized ratably over the contractual period or as the services are performed.

Income Taxes: — The provision for income taxes includes amounts currently payable and deferred income taxes arising primarily from different tax and financial statement accounting for certain lease arrangements. Investment credits are reflected in earnings as they are realized (the flow-through method).

Earnings Per Share: — Earnings per share have been computed based on the weighted average number of Class B Common and Class C Common shares outstanding during the respective periods. The weighted average number of shares outstanding has been increased by the number of shares issuable upon exercise of stock options and reduced by the number of shares which could be repurchased (at the average market price for the respective periods) using the proceeds from the exercise of these options. Only those stock options having a dilutive effect were included in the computations. Computation of fully-diluted net earnings per share resulted in less than 1% dilution in fiscal 1979 and 1978.

NOTE B — FINANCING ARRANGEMENTS

Certain information with respect to short-term notes payable to banks follows (in thousands):

	1979	1978
Amount of borrowings at end of year	$10,753	$ 7,945
Average interest rate of borrowings at end of year	7.2%	8.5%
Maximum amount of borrowings outstanding at any month end	10,753	8,766
Average aggregate borrowings outstanding during the year (total of daily outstanding principal balances divided by 365)	8,745	7,920
Weighted average interest rate during the year (actual interest expense on short-term debt divided by average short-term debt outstanding)	9.1%	8.6%

Under a line of credit arrangement with a domestic bank, the Company may borrow up to $2,000,000, upon such terms as the Company and the bank may mutually agree. The credit line, which was unused at June 30, 1979, is subject to compensating balance arrangements of 5% of the line of credit plus 10% of the borrowings outstanding. Compensating balances are not restricted as to withdrawal and serve as part of the Company's minimum operating cash balances.

Financing arrangements of certain foreign subsidiaries with several banks do not have termination dates and do not require the maintenance of compensating balances. The unused portion of the foreign credit line was approximately $10,000,000 at June 30, 1979.

NOTE C — LONG-TERM DEBT

Long-term debt at June 30, 1979 and 1978 consisted of the following (in thousands):

	1979	1978
Revolving credit notes	$ 27,000	
9% Term loans payable in sixteen equal quarterly installments commencing in 1980	20,000	$ 20,000
9¼% Term loans payable in twenty equal quarterly installments commencing in 1981	20,000	20,000
10½% Term loans payable in thirteen equal quarterly installments commencing in 1982	20,000	
4.0%-9.875% Mortgage notes payable 1979-2012	18,207	9,547
7.5%-11.5% Notes payable to foreign banks	1,400	1,472
9.75% Subordinated note payable to Massachusetts Capital Resource Company 1983–1988	5,000	5,000
Other	74	541
	111,681	56,560
Less current portion	503	586
	$111,178	$ 55,974

Under the terms of the Revolving Credit Agreement, the Company may issue up to $40,000,000 of its Revolving Credit Notes at the prime interest rate. Such notes mature February 28, 1982 at which time outstanding amounts will be payable in equal quarterly installments over a four year period.

The Company's debt agreements have restrictive covenants which include, among other things, limitations on total liabilities as a percentage of stockholders' equity, requirements to maintain specified levels of working capital, limitations on aggregate bank indebtedness, and restrictions on payment of cash dividends. Unrestricted consolidated retained earnings amounted to $18,948,000 at June 30, 1979.

Compensating balance arrangements related to the revolving credit notes require the Company to maintain aggregate bank ledger balances, adjusted for uncollected funds, equal to 5% of the entire line amount, plus 10% of amounts outstanding. Compensating balances are not restricted as to withdrawal, serve as compensation to the banks for their account handling function and other services, and additionally serve as part of the Company's operating cash balances.

Land and buildings having a net book value of approximately $26,000,000 are subject to the mortgage notes.

Maturities of long-term debt for the five years ending June 30, 1984 are as follows (in thousands): 1980 — $503; 1981 — $5,421; 1982 — $14,506; 1983 — $22,709; 1984 — $23,696.

Interest on long-term debt included in interest expense was $7,286 in 1979 and $4,091 in 1978.

NOTE D — SALES UNDER REMARKETING AGREEMENTS

In connection with agreements with independent third-party lease financing companies, the sales value of equipment on short-term rental with end-users is financed by the third-parties on a non-recourse basis and, accordingly, is recorded as a sale. Generally, the Company has agreed to service these units and attempt to re-market them at the end of the lease period on a non-preferential basis. The Company receives fees for its services and remarketing efforts. Revenues of $20,190,000 in 1979 and $11,080,000 in 1978 were generated under these programs. The Company has unused financing commitments under these agreements of approximately $33,000,000 at June 30, 1979.

NOTE E — INCOME TAXES

Provisions for income taxes consist of the following (in thousands):

	1979		1978	
	Current	Deferred	Current	Deferred
Federal	$10,984	$3,671	$ 8,704	$90
Foreign	645		2,106	
State	3,700		2,100	
	$15,329	$3,671	$12,910	$90

Reconciliation of a combined statutory federal and state tax rate and the effective rates reflected in the statement of consolidated earnings is as follows:

	1979	1978
Combined federal and state rate	51%	52%
Effect of losses of certain foreign subsidiaries for which no tax benefits are available	4	2
Effect of certain foreign subsidiaries' prior years' losses	(1)	(1)
Losses on translation of foreign currencies which have no tax effect		3
Investment tax credits	(6)	(4)
Effect of Domestic International Sales Corporation	(5)	(5)
Effect of earnings of Puerto Rico subsidiary not subject to tax	(3)	
Aggregate difference in tax rates applicable to earnings of foreign subsidiaries		(2)
Effective tax rate	40%	45%

At June 30, 1979, certain foreign subsidiaries had available net operating loss carryforwards of approximately $3,700,000 which are available to offset against their future pretax income. These loss carryforwards expire as follows (in thousands): $1,000 in 1981, $400 in 1983, $1,000 in 1984, $1,000 in 1985 and $300 in subsequent years.

A portion of the earnings of the Company's domestic manufacturing subsidiary in Puerto Rico are not subject to tax under a grant of industrial tax exemption from the Commonwealth of Puerto Rico. This exemption applies to 90% of earnings through 1984, reducing to 75% through 1989, and 65% through 1994. A portion of the earnings of the subsidiary are also subject to a withholding tax at a rate of 10% upon remittance to the parent company, which tax has been provided in the consolidated financial statements.

The Company does not provide federal income taxes on undistributed earnings of its foreign subsidiaries as it intends to reinvest these earnings and will postpone remittance indefinitely. Distribution of all such earnings ($4,700,000) related to foreign subsidiaries would result in federal income taxes, net of foreign tax credits, of $857,000 at June 30, 1979.

The Company's Domestic International Sales Corporation (DISC) receives certain tax benefits and special tax treatment under the provisions of the Revenue Act of 1971. The accumulated earnings of the DISC on which income taxes are not required to be provided amounted to $13,700,000 at June 30, 1979.

NOTE F — STOCKHOLDERS' EQUITY

CLASS C COMMON STOCK — On June 12, 1979, the Stockholders voted to amend the Restated Articles of Organization to change the name of the Company's $.50 par value Common Stock to Class C Common Stock.

CLASS B COMMON STOCK — The Class B Common Stock is identical to the Class C Common Stock in all respects except that (i) it is entitled to a $.025 per share additional dividend for each quarter in respect of which a cash dividend is declared on Class C Common Stock and, (ii) it has limited voting rights. Each share of Class B Common Stock is entitled to one-tenth of a vote whereas each share of Class C Common Stock is entitled to one vote. However, the Class B Common stockholders are entitled to elect 25% of the Board of Directors, rounded up to the nearest whole number.

On May 1, 1979, the Company declared a stock split in the form of a dividend issuing one share of Class B Common Stock for each share of issued Class B and Class C Common Stock (previously Common Stock). All references in the consolidated financial statements regarding per share amounts and stock options have been restated to give effect to the foregoing stock split.

STOCK OPTIONS — The Company has in effect a qualified stock option plan under which shares of Class B Common Stock and Class C Common Stock are available for grant to eligible employees at a price not less than 100% of the fair market value on the date of grant. The term of the options may not exceed five years under the plan.

The Company also has a non-qualified stock option plan pursuant to which shares of Class B Common Stock are available for grant to eligible employees, officers and directors at a price not less than 100% of the fair market value on the date of grant. Such options, other than the long-term options described below, are generally exercisable immediately and terminate after ten years.

The Company has also adopted a long-term stock option program under which non-qualified options to purchase Class B Common shares are granted semi-annually to all employees who have completed one year of service with the Company. Eligible employees will be granted options for the number of shares of Class B Common Stock having a value at the time of grant equal to 3% of the employee's total compensation during the most recent two calendar quarters, provided that the total number of shares for which options would be granted at any semi-annual date would not exceed 6/10ths of 1% of the total number of shares of outstanding Class B Common Stock and Class C Common Stock as of the date of such grant. Options are granted at a price equal to the fair market value on the date of grant. Rights to exercise these options vest five years after they are granted. The options become exercisable when the employee reaches age sixty, and will continue to be exercisable until five years following retirement.

Included in outstanding qualified and non-qualified options are options for shares of Class C Common Stock which were granted prior to issuance of the Class B Common Stock. Due to subsequent stock splits, upon exercise each optionee will receive four shares of Class B Common Stock for each share of Class C Common Stock issued. At June 30, 1979, 247,000 shares of Class B Common Stock were reserved for issuance pursuant to outstanding Class C Common Stock options. All options currently granted are for the purchase of shares of Class B Common Stock.

The following tabulation summarizes certain information combined for all plans.

Options Outstanding Granted In	Shares June 30, 1979	Shares June 30, 1978	Option Price Range Per Share	Option Price (in 000's) June 30, 1979	Option Price (in 000's) June 30, 1978
Class B Common Stock:					
1977	641,233	689,140	$ 3.19- 3.28	$2,055	$2,208
1978	240,717	272,012	4.94- 5.57	1,270	1,434
1979	212,630		12.69-15.81	2,914	
	1,094,580	961,152		6,239	3,642
Class C Common Stock:					
1974	16,100	24,280	14.13-20.88	292	434
1975	8,850	16,900	10.63-11.00	97	184
1976	36,800	52,160	11.50-17.88	485	685
	61,750	93,340		874	1,303
	1,156,330	1,054,492		$7,113	$4,945

Options Became Exercisable	Number of Shares	Option Price Range Per Share	Option Price Total (in 000's)	Market Value at Date First Exercisable Range Per Share	Market Value at Date First Exercisable Total (in 000's)
Class B Common Stock:					
1978	142,400	$ 3.19- 5.57	$ 466	$ 4.25-11.07	$ 734
1979	127,357	3.19-15.81	721	5.03-17.94	2,812
Class C Common Stock:					
1978	13,500	11.50	155	26.13	353
1979	None				

Options Exercised	Number of Shares	Option Price Range Per Share	Option Price Total (in 000's)	Market Value at Date Exercised Range Per Share	Market Value at Date Exercised Total (in 000's)
Class B Common Stock:					
1978	24,784	$ 3.19- 5.57	$ 80	$ 4.25-11.50	$ 183
1979	54,719	3.19-15.81	268	4.53-18.94	870
Class C Common Stock:					
1978	70,995	10.63-24.38	1,120	10.75-26.13	2,529
1979	31,490	10.63-20.88	427	20.25-42.50	2,503

During 1979, 125,960 shares of Class B Common Stock were issued in connection with Class C Common Stock options exercised (212,482 shares in 1978). During 1979, options for 38,130 shares of Class B Common Stock and 100 shares of Class C Common Stock lapsed. Options for 27,018 shares of Class B Common Stock and 10,050 shares of Class C Common Stock lapsed during 1978.

There have been no charges to income in connection with the stock options.

EMPLOYEE PROFIT-SHARING AND STOCK BONUS PLANS AND STOCK PURCHASE PLAN — Contributions to the Profit-Sharing and Stock Bonus plans are based, subject to certain limitations, on the aggregate compensation of eligible employees. The annual contribution to the combined plans has been allocated 60% to the Profit-Sharing Plan and 40% to the Stock Bonus Plan.

Aggregate provisions for contributions under both plans were $3,000,000 in 1979 and $1,800,000 in 1978.

Offerings under the Employee Stock Purchase Plan are made each year on March 1 and September 1. Eligible employees electing to participate in the Plan may contribute up to 10% of their base compensation for the payment period through payroll deductions toward purchase of Class B Common Stock at a price fixed by the Board of Directors, which in no event will be less than 85% of the market price on the first or last day of the payment period, whichever is lower.

At June 30, 1979, shares available for future grants, contributions or sales were as follows:

	Class B Common	Class C Common
Stock Option Plans	362,092	
Stock Bonus Plan	106,476	14,476
Stock Purchase Plan	377,800	

NOTE G — MANAGEMENT INCENTIVE COMPENSATION PLAN

The Company has a Management Incentive Compensation Plan pursuant to which bonuses are paid to officers, managerial and technical employees. The Plan provides for the payment of bonuses equal to 5% of the Company's consolidated income before income taxes and extraordinary items, reduced by the aggregate of 15% of the Company's average net worth and 7.5% of average bank and other borrowings for the two years ending with the year for which the bonus is calculated. Amounts in excess of the amounts computed under the formula described above may be paid at the discretion of the Board of Directors. The provisions for contributions under the plan were $1,350,000 in 1979 and $790,000 in 1978.

NOTE H — GEOGRAPHIC INFORMATION

The Company designs, manufactures, markets and services computers and related peripheral devices. All products are developed and manufactured in the United States. Marketing and service activities outside the United States are conducted principally through subsidiaries in Canada, Europe, Central America, Australia and Asia and, to a lesser extent, through various representative and distributorship arrangements. Transfer prices to foreign subsidiaries, combined with supplemental commission and expense reimbursement arrangements, are intended to produce profit margins commensurate with the sales and service effort associated with the products sold. Profit margins which the Company attributes to manufacturing and development activities are reflected in domestic operations. Certain information on a geographic basis follows (in thousands):

1979:	North America	Europe	Asia/ Pacific	Other	Elimi-nations	Consol-idated
Results of operations:						
Net revenues-unaffiliated customers	$215,203	$80,368	$24,755	$1,239		$321,565
Transfers between geographical areas	69,045	1,270	1,061	1,099	$72,475	—
	284,248	81,638	25,816	2,338	72,475	321,565
Cost of products and services sold	130,427	53,645	17,725	823	64,846	137,774
Research and development	16,464					16,464
Selling, general and administrative	77,553	30,453	6,063	754	3,006	111,817
Interest	7,277	635	(63)	76		7,925
	231,721	84,733	23,725	1,653	67,852	273,980
Earnings before income taxes	$ 52,527	$ (3,095)	$ 2,091	$ 685	$ 4,623	$ 47,585
Financial position at end of fiscal year:						
Working capital, excluding intercompany balances	$ 99,453	$30,114	$ 6,966	$ 796	$ 380	$136,949
Intercompany balances	49,344	(40,697)	(7,907)	(740)		
Property, plant and equipment and rental equipment — net	78,253	14,796	3,309	653	3,499	93,512
Equity in foreign subsidiaries	3,807				3,807	
Other non-current assets	2,367	427	1,137	25		3,956
Long-term debt	(109,985)	(1,193)				(111,178)
Other non-current liabilities	(5,000)					(5,000)
Net assets	$118,239	$ 3,447	$ 3,505	$ 734	$ 7,686	$118,239

	North America	Europe	Asia/ Pacific	Other	Elimi-nations	Consol-idated
1978:						
Results of operations:						
Net revenues-unaffiliated customers	$129,318	$52,017	$12,824	$3,975		$198,134
Transfers between geographical areas	36,238	1,063	967	734	$39,002	—
	165,556	53,080	13,791	4,709	39,002	198,134
Cost of products and services sold	77,739	31,263	9,019	2,481	35,486	85,016
Research and development	8,800					8,800
Selling, general and administrative	48,780	18,618	4,079	1,604	2,303	70,778
Interest	3,727	788	150	283		4,948
	139,046	50,669	13,248	4,368	37,789	169,542
Earnings before income taxes	$ 26,510	$ 2,411	$ 543	$ 341	$ 1,213	$ 28,592
Financial position at end of fiscal year:						
Working capital, excluding intercompany balances	$ 53,676	$20,530	$ 3,193	$2,057	$ 1,165	$ 78,291
Intercompany balances	27,628	(21,092)	(3,587)	(2,949)		—
Property, plant and equipment and rental equipment — net	41,672	6,081	2,476	1,125	123	51,231
Equity in foreign subsidiaries	5,476				5,476	—
Other non-current assets	2,549	156	88	13	28	2,778
Long-term debt	(54,675)	(1,299)				(55,974)
Other non-current liabilities	(1,329)					(1,329)
Net assets	$ 74,997	$ 4,376	$ 2,170	$ 246	$ 6,792	$ 74,997

North American revenues include Canadian revenues of $9,580,000 in 1979 and $6,833,000 in 1978 and exports outside North America of $20,152,000 in 1979 and $11,080,000 in 1978. Foreign currency losses amounted to $33,000 in 1979 and $92,000 in 1978.

NOTE I — LEASES

The Company leases equipment (principally data processing) and real estate (principally field offices). Total rent expense on all leases amounted to $8,337,000 in 1979 and $5,602,000 in 1978. The Company has no significant non-capitalized financing leases. Estimated minimum lease commitments on non-cancellable leases are as follows (in thousands):

	Total	Equipment	Real Estate
Year ended June 30:			
1980	$ 9,862	$ 2,201	$ 7,661
1981	8,477	1,747	6,730
1982	6,782	1,075	5,707
1983	5,150	1,002	4,148
1984	4,219	1,027	3,192
Thereafter in total	13,910	1,263	12,647
	$48,400	$ 8,315	$40,085

NOTE J — QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of the unaudited quarterly results of operations for the years ended June 30, 1979 and 1978.

	(In thousands except per share amounts) Three Months Ended			
	Sept. 30	Dec. 31	March 31	June 30
Year ended June 30, 1979				
Revenues	$55,774	$75,119	$82,160	$108,512
Gross profit	29,684	40,942	46,000	67,165
Net earnings	3,537	6,315	6,491	12,242
Net earnings per share	.15	.26	.26	.50
Dividends per share:				
Class B Common	.02	.02	.02	.04
Class C Common	.015	.015	.015	.015
Year ended June 30, 1978:				
Revenues	$36,221	$47,148	$50,964	$ 63,801
Gross profit	19,777	26,032	27,788	39,521
Net earnings	1,869	3,378	3,518	6,827
Net earnings per share	.09	.15	.16	.29
Dividends per share:				
Class B Common	.0175	.0175	.0175	.0175
Class C Common	.01	.01	.01	.01

NOTE K — CURRENT REPLACEMENT COST DATA (UNAUDITED)

In compliance with rules of the Securities and Exchange Commission, replacement cost data for inventories, cost of products and services sold, property, plant and equipment, rental equipment, and depreciation expense have been estimated and are disclosed in this supplemental unaudited footnote. Management makes no representation as to the usefulness of this data to estimate the effect of inflation on the financial position and results of operations of the Company, and cautions that the data may not be comparable with that presented by other companies, including those within the computer industry. The Company concurs with the following statement included by the Commission in Accounting Series Release No. 190 which requires that companies estimate and disclose such data.

> "The Commission cautions investors and analysts against simplistic use of the data presented. It intentionally determined not to require the disclosure of the effect on net income of calculating cost of sales and depreciation on a current replacement cost basis, both because there are substantial theoretical problems in determining an income effect and because it did not believe that users should be encouraged to convert the data into a single revised net income figure. The data are not designed to be a simple road map to the determination of "true income". In addition, investors must understand that due to the subjective judgments and the many different specific factual circumstances involved, the data will not be fully comparable among companies and will be subject to errors of estimation."

Assumptions and Estimates

The current replacement cost information is based on the hypothetical assumption that the Company would replace its entire inventory and productive capacity at the end of each fiscal year, whether or not the funds to do so were available or such "instant" replacement were physically possible. This assumption requires that management contemplate many actions at the end of each year that ordinarily would not be addressed all at one time. Accordingly, the information should not be interpreted to indicate that the Company actually has present plans to reproduce its productive capacity or that actual replacement would or could take place in the manner assumed in estimating the information. Historically, the Company has acquired additional productive capacity by purchase of used facilities at prices substantially less than prevailing market prices, which are also significantly less than the computed current replacement costs. Although the Company's ability to acquire additional productive capacity at such bargain prices, and any related decisions concerning replacement, would be contingent upon the availability of such used facilities

and other economic, regulatory, and competitive conditions existing on the dates such determinations are made, such reproduction of productive capacity could differ substantially from the assumptions on which the data included herein are based. In estimating the replacement cost of inventories and cost of sales, no effect was given to potential changes in direct labor costs, repairs and maintenance, and other indirect costs as a result of the assumed replacement of productive capacity.

	June 30, 1979		June 30, 1978	
	Historical Cost	Estimated Replacement Cost	Historical Cost	Estimated Replacement Cost
Inventories	$108,674	$108,588	$56,193	$56,173
Property, plant and equipment				
Buildings, leasehold and land improvements	21,029	32,170	16,497	23,795
Machinery and equipment	32,691	36,017	17,769	20,265
Demonstration and service equipment	34,851	34,253	20,741	20,477
Total	88,571	102,440	55,007	64,537
Accumulated depreciation	25,303	19,176	16,169	12,868
Net	$ 63,268	$ 83,264	$38,838	$51,669
Rental equipment	$ 28,708	$ 28,412	$18,518	$18,545
Accumulated depreciation	9,899	6,693	6,917	4,058
Net	$ 18,809	$ 21,719	$11,601	$14,487
Depreciation expense				
Charged to cost of products and services sold	$ 8,697	$ 7,133	$ 5,345	$ 4,496
Charged to other	8,373	4,701	4,397	2,946
Total	$ 17,070	$ 11,834	$ 9,742	$ 7,442
Cost of products and services sold	$137,774	$134,957	$85,016	$83,536

Land and construction in progress of $11,435,000 in 1979 and $790,000 in 1978 are not included in the data presented above. As required, the economic lives on which the replacement cost depreciation is computed is consistent with the economic lives used in computation of historic cost depreciation, and depreciation is computed on the straight-line method.

Productive Capacity

Replacement cost of equivalent capacity has been estimated based on determining the most reasonable modern facilities that would provide equivalent capacity.

Inventories

The replacement cost of inventories was calculated using current year-end cost data for labor and material, and current overhead adjusted for replacement cost depreciation.

Cost of Products and Services Sold

Cost of products and services sold, calculated on the basis of replacement cost of inventories, was estimated using current year-end cost data revised to reflect replacement cost depreciation expense.

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

WANG LABORATORIES, INC. AND SUBSIDIARIES

(in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CLASSIFICATION	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes—Add (Deduct)—Describe	Balance at End of Period
Year ended June 30, 1979:					
Land and land improvements	$ 1,071	$ 912		($ 68)(1)	$ 1,915
Buildings and leasehold improvements	16,217	4,562	$ 531	70 (1)	20,318
Demonstration equipment	20,741	22,419	4,627	(3,682)(1)	34,851
Machinery and equipment	17,769	12,258	983	3,647 (1)	32,691
Construction in progress	—	10,232	—	—	10,232
Total	$55,798	$50,383	$6,141	($ 33)	$100,007
Rental equipment	$18,518	$16,418	$6,208	($ 20)(1)	$ 28,708
Year ended June 30, 1978:					
Land and land improvements	$ 929	$ 142			$ 1,071
Buildings and leasehold improvements	11,468	4,954	$ 202	($ 3)(1)	16,217
Demonstration equipment	17,348	12,466	2,883	(6,190)(1)	20,741
Machinery and equipment	8,016	3,825	338	6,266 (1)	17,769
Total	$37,761	$21,387	$3,423	$ 73	$ 55,798
Rental equipment	$11,198	$ 9,856	$2,582	$ 46 (1)	$ 18,518

(1) Reclassifications and miscellaneous adjustments.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

WANG LABORATORIES, INC. AND SUBSIDIARIES

(in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
DESCRIPTION	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes—Add (Deduct)—Describe	Balance at End of Period
Year ended June 30, 1979:					
Land and land improvements	$ 88	$ 31			$ 119
Buildings and leasehold improvements	1,956	946	$ 230	$ 5 (1)	2,677
Demonstration and service equipment	7,345	7,880	2,170	(1,219)(1)	11,836
Machinery and equipment	6,780	3,185	542	1,249 (1)	10,672
Total	$16,169	$12,042	$2,942	$ 35	$25,304
Rental equipment	$ 6,917	$ 5,028	$2,154	$ 108 (1)	$ 9,899
Year ended June 30, 1978:					
Land and land improvements	$ 74	$ 14			$ 88
Buildings and leasehold improvements	1,533	606	$ 183		1,956
Demonstration and service equipment	6,811	4,332	1,621	($2,177)	7,345
Machinery and equipment	3,453	1,585	253	1,995 (1)	6,780
Total	$11,871	$ 6,537	$2,057	($ 182)	$16,169
Rental equipment	$ 4,475	$ 3,205	$ 933	$ 170 (1)	$ 6,917

(1) Reclassifications and miscellaneous adjustments.

SCHEDULE XII—
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

WANG LABORATORIES, INC. AND SUBSIDIARIES

(in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts—Describe	Deductions—Describe	Balance at End of Period
Year ended June 30, 1979:					
Allowances for doubtful accounts	$4,520	$1,811		$1,009(1)	$5,322
Year ended June 30, 1978:					
Allowances for doubtful accounts	$2,574	$2,659		$ 713(1)	$4,520

(1) Accounts charged off, net of recoveries.

SCHEDULE XVI—SUPPLEMENTARY INCOME STATEMENT INFORMATION

WANG LABORATORIES, INC. AND SUBSIDIARIES

(in thousands)

COL. A	COL. B
ITEM	Charged to Costs and Expenses
Year ended June 30, 1979:	
Maintenance and repairs	$ 3,699
Depreciation, depletion and amortization of property, plant and equipment	17,070
Depreciation and amortization of intangible assets	*
Taxes, other than income taxes:	
Payroll	$ 8,793
State franchise, etc.	536
Property and other	1,287
Rents	$ 8,337
Royalties	*
Advertising costs	$ 6,235
Year ended June 30, 1978:	
Maintenance and repairs	$ 2,170
Depreciation, depletion and amortization of property, plant and equipment	$ 9,743
Depreciation and amortization of intangible assets	*
Taxes, other than income taxes:	
Payroll	$ 5,250
State franchise, etc.	481
Property and other	776
Rents	$ 5,602
Royalties	*
Advertising costs	$ 4,350

*Less than one percent of total sales and revenues.

PART II

Items 13-15.

Not required. Definitive proxy statements filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WANG LABORATORIES, INC.

By /s/ Harry H. S. Chou
Harry H. S. Chou
Executive Vice President
& Treasurer

September 10, 1979

WANG LABORATORIES, INC.

COMPUTATION OF EARNINGS PER SHARE

EXHIBIT 1

	Year Ended June 30,				
	1979	1978	1977	1976	1975
PRIMARY					
Average shares of Class B Common Stock outstanding	19,745,898	6,981,044	1,036,853	1,018,395	
Average shares of Class C Common Stock outstanding	4,115,666	4,092,926	4,071,861	4,075,002	4,068,918
Net effect of dilutive stock options — based on the treasury stock method using average market price:					
Class B Common	534,318	165,203	17,413	3,361	
Class C Common	46,090	53,534	38,663	13,442	1,736
	24,441,972	11,292,707	5,164,790	5,110,200	4,070,654
Adjustment to reflect the stock-split in the form of a dividend of one share of Class B Common Stock for every four shares of Common Stock issued as of April 21, 1976; paid April 29, 1976					1,017,663
Adjustment to reflect the issuance of Class B Common Stock in connection with the stock-split in the form of a dividend declared July 6, 1977; paid July 30, 1977			5,164,790	5,110,200	5,088,317
Adjustment to reflect the issuance of Class B Common Stock in connection with the stock-split in the form of a dividend declared May 1, 1979; paid June 12, 1979		11,292,707	10,329,580	10,220,400	10,176,634
TOTALS	24,441,972	22,585,414	20,659,160	20,440,800	20,353,268
Net earnings	$28,585,000	$15,592,000	$ 9,124,000	$ 6,172,000	$ 3,255,000
Per share amount	$1.17	$.69	$.44	$.30	$.16
FULLY DILUTED					
Average shares of Class B Common Stock outstanding	19,745,898	6,981,044	1,036,853	1,018,395	
Average shares of Class C Common Stock outstanding	4,115,666	4,092,926	4,071,861	4,075,002	4,068,918
Net effect of dilutive stock options — based on treasury stock method using the year-end market price, if higher than average market price:					
Class B Common	554,948	191,361	40,444	6,768	
Class C Common	47,048	58,494	48,988	27,070	13,493
	24,463,560	11,323,825	5,198,146	5,127,235	4,082,411
Adjustment to reflect the stock-split in the form of a dividend of one share of Class B Common Stock for every four shares of Common Stock issued as of April 21, 1976; paid April 29, 1976					1,020,603
Adjustment to reflect the issuance of Class B Common Stock in connection with the stock-split in the form of a dividend declared July 6, 1977; paid July 30, 1977			5,198,146	5,127,235	5,103,014
Adjustment to reflect the issuance of Class B Common Stock in connection with the stock-split in the form of a dividend declared May 1, 1979; paid June 12, 1979		11,323,825	10,396,292	10,254,470	10,206,028
TOTALS	24,463,560	22,647,650	20,792,584	20,508,940	20,412,056
Net earnings	$28,585,000	$15,592,000	$ 9,124,000	$ 6,172,000	$ 3,255,000
Per share amount	$1.17	$.69	$.44	$.30	$.16

Common Stock and Dividends

The following table sets forth the per share price ranges of Wang stock during each quarter of 1978 and 1979. Stock prices and Class B Common Stock cash dividends have been adjusted to reflect the Class B Common Stock split effected as a dividend declared May 1, 1979.

Fiscal Year 1979	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Fiscal Year
Dividends — Class B Common	$.02	$.02	$.02	$.04	$.10
Dividends — Class C Common	.015	.015	.015	.015	.06
Stock Price — Class B Common					
High	16.13	15.00	19.13	19.88	19.88
Low	9.75	9.25	14.00	16.13	9.25
Stock Price — Class C Common					
High	16.13	15.31	21.31	21.25	21.31
Low	10.94	9.88	15.19	17.69	9.88

Fiscal Year 1978	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Fiscal Year
Dividends — Class B Common	$.0175	$.0175	$.0175	$.0175	$.07
Dividends — Class C Common	.01	.01	.01	.01	.04
Stock Price — Class B Common					
High	6.13	5.88	6.75	11.95	11.95
Low	3.72	3.88	4.82	6.13	3.72
Stock Price — Class C Common					
High	7.82	7.00	8.13	13.25	13.25
Low	5.00	5.19	6.00	7.44	5.00

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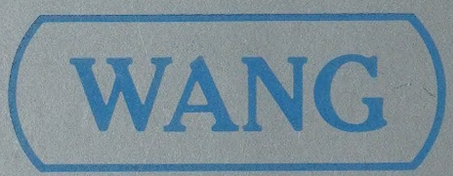
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